

Potential Medium-Term Impact of Cost/Inflationary Pressures								Appendix 1	
	In-Year Pressures			Potential Impact if No Mitigation				Cumulative Impact over MTFS	Reasoning
	2022/23			2023/24	2024/25	2025/26	2026/27		
	Saving £000	Cost £000	Net £000	£000	£000	£000	£000		
Inflation									
Pay	0	279	279	558	837	1,116	1,395		Assume increase year-on-year Assume 20% 2023/24, 10% 2024/25
Utility Bills	0	106	106	42	21	0	0		
	0	385	385	600	858	1,116	1,395	4,777	
Underachievement of Savings									
Senior Management Review (TOM)	0	304	304	228	0	0	0		Saving achieved after 9 months in 2023/24.
Cross Cutting Savings	0	77	77	58	0	0	0		Saving achieved after 9 months in 2023/24.
Vacancy Savings	(90)	90	0	0	0	0	0		Saving achieved
Quick Response Team	0	72	72	72	72	72	72		Cost will need meeting in future years
Committee Servicing	(22)	35	13	0	0	0	0		Impact only 2022/23
Development Management Shared Service	0	94	94	128	64	0	0		Saving achieved after 6 months in 2024/25.
	(112)	672	560	486	136	72	72	1,771	
Normal Operational Delivery									
Corporate Administration	(37)	0	(37)	0	0	0	0		Impact only 2022/23 Cost will need meeting in future years
Land Charges	(46)	0	(46)	0	0	0	0		
Deputy Chief Executive	(33)	0	(33)	0	0	0	0		
Finance	0	79	79	0	0	0	0		
IT Services	(34)	54	20	54	54	54	54		
Interest & Investment Income	(300)	0	(300)	0	0	0	0		
Director: Finance etc	(29)	0	(29)	0	0	0	0		Impact only 2022/23
Carparking (lost income)	0	250	250	250	250	250	250		Anticipating permanent reduction in demand
Development Management (underachievement of income)	0	109	109	0	0	0	0		Impact only 2022/23
Harborough Innovation Centre	(114)	0	(114)	0	0	0	0		
ERDF funding	(63)	0	(63)	0	0	0	0		
The Symington Building	(7)	51	44	0	0	0	0		Impact only 2022/23
Customer Services	0	97	97	60	60	60	60		Netcall cost will need meeting in future years
Communication	(28)	0	(28)	0	0	0	0		
Housing Services	(32)	0	(32)	0	0	0	0		
MRP saving	(58)	0	(58)	0	0	0	0		
IT Services - capitalisation	(25)	0	(25)	0	0	0	0		
Variances less than £25k	10	21	31	0	0	0	0		Impact only 2022/23
	(796)	661	(135)	364	364	364	364	1,494	
Total	(908)	1,718	810	1,450	1,358	1,552	1,831	8,042	

Discretionary Fees & Charges: exceptions to blanket increase

The exceptions to a blanket increase in fees and charges by RPI are shown below:

1. Regulatory (Environmental Health Services) Fees & Charges

These are calculated based on the “actual” hourly rate and time spent on activity.

2. Car Parking pay & display tariffs and permits

These are reviewed on a 2-year cycle based on CPI (rounded to nearest 10p), the last review having been undertaken in 2020/21, with the new charging structure taking effect in September 2021, or when there is a strategic parking review which may delay this cycle (this would reflect the prevailing commercial and political considerations at that time).

3. Garden Waste service

The charges for this service were increased for 2021/22. However, it is essential that the principle of cost-neutrality is maintained; especially to ensure that there is equitable treatment between participating and non-participating residents. To achieve “equitability”, it will be necessary for an annual review of charges to be undertaken to ensure cost-neutrality is maintained. If it is chosen not to increase, then that decision will be recorded when the draft budget is agreed.

4. CCTV

In respect of CCTV, charges to increase by CPI:

- service fees & charges; these will be reviewed on an annual basis; this will ensure that there is no disproportionate “catch-up” due to previous years inflation.
- new installation/set-up fees, these will be based on actual costs at the time of installation/set-up.

5. Asset Lease Agreements

The Council has a number of lease agreements with third parties who use our land or buildings. These agreements will include lease obligations that reflect the prevailing and the type of land, building or expected use. Some agreements will be based on commercial terms and others on more discretionary terms that will be compliant with agreed policies. Where applicable, these agreements will include respective inflationary indices.

6. Charges for Street Naming and Numbering

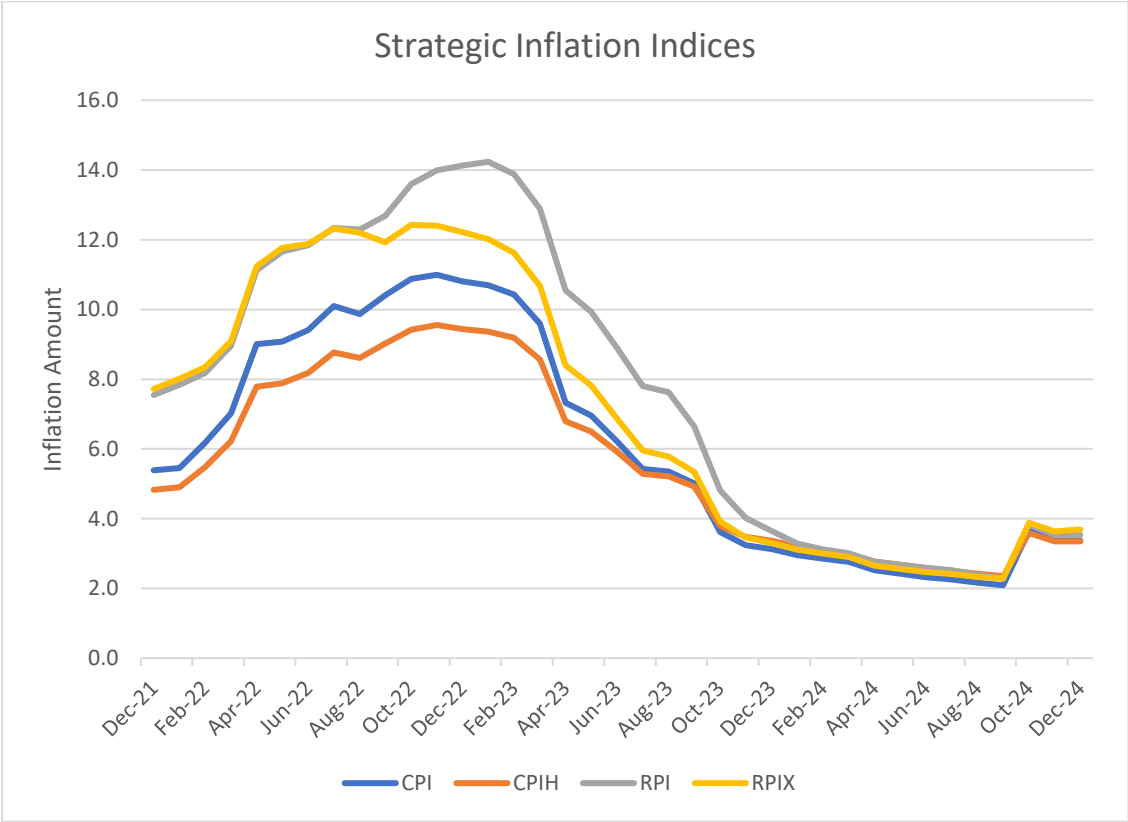
The Council sets its charges based on comparisons with other local authorities in the area as well as ensuring that such charges achieve full cost recovery.

7. EV Charging

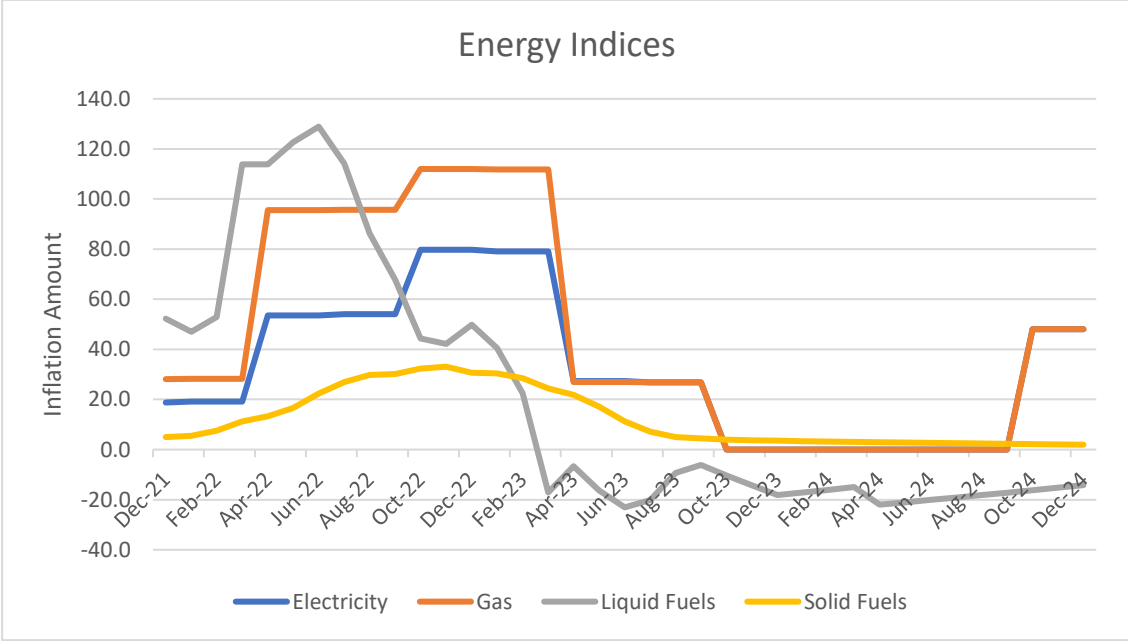
To be charged on a cost plus basis; actual cost + an agreed prevailing overhead charge.

(source; Link Treasury Services)

RPI/CPI



Gas/Electricity costs



Appendix 4

Budget Principles for the 2023/24 Budget and MTFS (2024/25 to 2027/28)

Report Paragraph Reference	Budget Principles and Definition	
<i>Strategic Budget Principles:</i>		
3.1	A	To maintain, within expected service constraints, service expenditure within the approved net expenditure envelope.
	B	To ensure that over the medium term, financial sustainability can be achieved.
	C	The Council will only support the consequential cost-shunting transfer from other areas of the public sector where there is either a statutory obligation or a significant impact on the Harborough residential and business community.
<i>Service and Corporate Budget Principles:</i>		
3.6.3	1	<p><i>General Service Income;</i></p> <p>i. Statutory Fees & Charges, where</p> <ul style="list-style-type: none"> • the Council has to set a level of fees by law, then those fees are increased at the earliest time possible. • a service is required to “consult” with other internal services, that an appropriate recharge of the income is made to the consultee service. This avoids individual services carrying an unfair burden to meet statutory requirements. This will be determined and implemented during 2023/24. <p>ii. Discretionary Fees & Charges, subject to the exceptions noted in (i) below:</p> <ul style="list-style-type: none"> • all service income lines applicable to discretionary services and are reviewed on a 3-year cyclical basis, • for the 2 intervening years then the prevailing CPI rate for the October of the preceding year is applied. The CPI rate to be agreed by the Director; Finance, ICT and Assets in consultation with the Portfolio Holder for Finance.

		There are some exceptions to the aforementioned approach for discretionary fees and charges, these are addressed at Appendix 2 .
3.8.1	2	Pay Inflation: to be increased to 4% for 2023/24, decreasing to 3.5% for 2024/25 and then decreasing to 3% for the following 3 years of the MTFS
3.9	3	Pay Oncosts: National Insurance and Pensions Oncosts to be 13.8% and 32.4% respectively for 2023/24. For subsequent years of the MTFS Pension to be increased by 1% per annum from 32.4% (2023/24 rate), the NI rate to remain as 2023/24.
3.10	4	Vacancy Factor: for 2023/24 and each year of the MTFS to maintain the VF at £180k (as applied in 2022/23).
3.14.2	5	General Service Inflation: to be set at 0%, except for: <ul style="list-style-type: none"> i. Utility costs; an inflationary increase of 20% for 2023/24, 10% for 2024/25 and then remain at 2024/25 thereafter. ii. the FCC Contract; an inflationary increase of 14% for 2023/24 and a more modest increase of 4.9% for each remaining year of the contract. iii. the current SLM Contract, no inflationary increase for all years of the remaining period of the contract. iv. the implications of the new environmental act and new depot from 2025/26 onwards: <ul style="list-style-type: none"> • The annual cost to be based on the current 2024/25 environmental contract cost; inflated annually by the average inflation rate of the current contract (4.9%). • An additional 5% cost escalator to reflect the potential cost of the government's changes to waste collection. • A higher capital allocation of £10m be included in the capital programme. v. the new leisure contract from 2025/26 onwards, annual contract costs not to recognise any additional income but recognise an additional utility cost of £188k per annum.
3.15	6	General Service Growth; there will not be any general service growth, except where: <ul style="list-style-type: none"> i) there are required budget corrections, growth that has been permitted via previous budget approvals, statutory/regulatory changes, and any subsequent transformation programme or that which has been approved separately by Council. ii) where costs must increase (i.e. due to post regrading's), savings elsewhere will be required to neutralise the additional cost.

3.18	7	<p>Non-Domestic Rates:</p> <ul style="list-style-type: none"> i. future receipts from the Leicestershire Rates Pool will not be included in the budget, MTFS or capital programme. ii. only known commercial developments that will deliver “certain” NDR growth (increases in NDR). iii. the NDR income stream will be inflated by the government’s stipulated multiplier.
3.21	8	<p>New Homes Bonus: to be applied to meet specific net spend commitments, known budget risks, collection fund deficits or inflationary pressure, with any residual NHB to be allocated to earmarked reserves; 33% to Community, Economic & Infrastructure, 67% to Commercial Investment.</p>
3.22	9	<p>Fair Funding: to help mitigate the future impact of Fair Funding (& the NDR “reset”), to include a negative funding stream of £0k for 2023/24 and 2024/25; £99k, 2025/26; £198k, 2026/27; £297k, 2027</p>
3.24	10	<p>Collection Fund (Surplus)/Deficit....The Council will spread any forecast 31st March 2021 Collection Fund Deficit in line with legislation.</p>
3.25	11	<p>Council Tax Base: subject to modelling, an irrecoverable rate of 2% is applied when the Council Tax Base is calculated prior to budget setting.</p>
General Budget Definitions		
N/a	1	<p>The Budget is for the year that the Council Tax is set and a commitment of resource allocation. It includes the following revenue items:</p> <ul style="list-style-type: none"> • net service expenditure, • capital financing (otherwise known as minimum revenue provision; MRP), • reserve contributions, • grants, • collection fund surplus, and • council tax – but for only the year that the Council Tax is being set.
N/a	2	<p>The Medium-Term Financial Strategy (MTFS) shows an intention to future years resource allocations. The duration of the MTFS is for the 4-years following the Budget year.</p>
N/a	3	<p>The Capital Programme includes the gross capital expenditure and sources of finance and covers both the budget year and duration of the MTFS.</p>

N/a	4	<p>The Budget, MTFS and Capital Programme are 'organic' plans for spending and can flex to reflect current and future financial commitments. However, there is the statutory requirement to deliver a balanced budget. Where during the year it is established that there will be an increase in service net expenditure and/or reductions in grant, NDR or Council Tax; this "net excess budget position" (underachievement of budget) can only be financed by a higher than planned increase in the General Fund (Unallocated) reserve allocation (the opposite is true where there is a "net reduction in the budget position" i.e. overachievement of budget). Such allocations will be reported to Cabinet and Scrutiny as part of the routine quarterly financial performance monitoring process.</p>
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Appendix 5



Harborough District Council

RESERVES STRATEGY

Version control

Title: Reserves Strategy

Date agreed: XX December 2022

Last date amended: December 2022

Review date: 31 December 2024

Contents

- 1. Background**
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- 3. Principles for Maintaining Reserve**
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1. Background

- 1.1 The Council's reserves are the corner stone of its financial sustainability; they are the foundation upon which the Council delivers its broad range of services and delivers its significant capital investment.
- 1.2 Reserves should be actively used to ensure effective financial management; this includes the establishment of a minimum level of reserves, and a number of specific earmarked reserves that will directly support the delivery of corporate priorities.

2. Definition of Reserves

2.1 Reserves within local government are split between: Useable and Unusable

2.2 **Usable Reserves** are those that represent "real" cash and can be used to directly support services or the development of assets.

- **General Fund Balance**

The General Fund is the statutory fund into which all receipts of a Council are required to be paid and all liabilities are to be met (subject to statutory override).

The General Fund Balance is therefore the net surplus of the Council's general resources at the end of any financial year

- **Earmarked Reserves**

These are reserves held for a defined purpose. However, they do represent immediately available resources and are therefore considered as part of the wider General Fund Balance

- **Capital Receipts Reserve**

This reserve holds the proceeds from the disposal of land or other (capital) assets which are restricted by statute from being used other than to fund new capital expenditure (or to be set aside to finance historical capital expenditure).

- **Capital Grants Unapplied Reserve**

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

2.3 **Unusable Reserves** are "technical accounting" reserves that support the Council's balance sheet. These reserves can involve contributions of real cash, but this is

mainly to support capital related income or expenditure. As contributions to /from these reserves are strictly controlled by statutory regulation they will not be addressed within this strategy.

3. Principles for Maintaining Reserves

3.1 Risk Management

Reserves will be maintained based upon the risks that the Council faces and its plans for the medium-term. They will be viewed as an effective means by which the Council can address one-off costs of transformation, future local and national funding & policy, environmental impacts, and unforeseen service pressures.

3.2 Prudential Financial Management

Reserves are to be an essential part of the Councils prudential financial management framework, including its ongoing ability to meet the statutory requirement for a balanced budget.

3.3 Medium-Term Financial Planning

Reserves are built up over the long term and their level and use will be a key part of effective medium-term financial planning.

3.4 Funding Source of Last Resort

Although reserves can be viewed as an effective means by which to support the contraction in public expenditure. The Council will view its use of Reserves as the “funding source of last resort” by which the Council will deliver the progressive reductions in government support over the medium term.

4 Level of Reserves

4.1 General Fund Balance

The General Fund Balance includes all revenue reserves, both the General Fund Unallocated Reserve and Earmarked Reserve.

4.2 General Fund Unallocated Reserve

There is no statutory minimum level of reserves that the Council must have available in the General Fund Unallocated Reserve

If this Reserves Strategy is approved, the Cabinet will approve a minimum level of General Fund Unallocated Reserves of 15% of Net Expenditure (Net Expenditure being defined as service expenditure + revenue costs of capital financing).

4.3 Earmarked Reserves

There is no minimum or maximum level for Earmarked Reserves, what will be held is based on prudent estimates of future need. Earmarked Reserves will also include the Budget Surplus Reserve.

4.4 **Capital Receipts Reserve/Capital Grants Unapplied Reserve**

These reserves will be reactive to what capital receipts or grants have been received in the year and remain uncommitted at the year-end.

5. **Governance of Reserves**

5.1 **the General Fund (Unallocated) Reserve**

5.1.1 At budget setting and throughout the year the General Fund (Unallocated) Reserve will be actively managed to ensure that it is maintained at 20% of Net Expenditure. This will ensure that the Council has enough reserves to delivery its core services in the event of an emergency.

5.1.2 Variations in service spend throughout the year will have either a positive or negative impact on the forecast outturn which will require either a contribution to or from Earmarked Reserves to ensure that the General Fund (Unallocated) Balance is maintained at 20%. This will be actively monitored as part of the Councils routine budget monitoring process with appropriate reporting to members to demonstrate:

- The maintenance of the General Fund (Unallocated) Reserve at 20% of Net Expenditure.
- The use of a Budget Surplus Reserve (BSR) that will act as a “holding” reserve between the General Fund (Unallocated) Reserve and Earmarked Reserves. Its purpose is to:
 - Either hold onto surplus funds (underspends) before they are allocated to Earmarked Reserves, or
 - Where a contribution is required to support Service Expenditure, then the BSR will be used to demonstrate to members as part of the budget monitoring reporting process the net deficit that needs to be funded by the application of Earmarked Reserves.

Consequently, where specific contributions to/from the General Fund Balance outside of routine service spend are required, these will only be made when approved by Cabinet.

5.2 **Earmarked Reserves**

5.2.1 New earmarked reserves will be established, and old reserves deleted in line with the principles noted above. The Section 151 officer will be able to create reserves, following consultation with the Portfolio Holder for Resources. However, Earmarked Reserves will only be able to be removed with the agreement of Cabinet.

5.2.2 Contributions to/from Earmarked Reserves will:

- either be in line with statutory requirements or service need
- only be made when agreed with the Section 151 officer.

5.3 **Capital Receipts Reserve**

5.3.1 The Council will primarily receive capital receipts because of the sale of capital assets that support general service activity; these receipts will only be applied for similar such activity.

5.3.2 The first call for the application of such receipts will be to finance in-year capital expenditure, this will have the effect of minimising the Councils statutory obligations in respect of Minimum Revenue Provision.

5.4 **Capital Grants Unapplied Reserve**

5.4.1 This reserve will only hold capital grants that will have been acquired by the Council for a specific purpose. The use of this reserve will be in line with prescribed guidelines/conditions.