Harborough District Council

Report to the Cabinet
Meeting of 27th November 2023

Report Number:	
Title:	**2024/25 Budget & MTFS - Budget Principles & Reserves Strategy**
Status:	Public
Key Decision:	No
Report Author:	Clive Mason – Interim Deputy Chief Executive (& s.151 officer)
Portfolio Holder:	Cllr Mark Graves, Finance
Appendices:	**Appendix 1**: Discretionary Fees & Charges: exceptions to blanket increase. **Appendix 2:** Inflation Graphs (CPI/RPI and Gas/Electricity **Appendix 3:** Budget Principles for the 2024/25 Budget and MTFS (2024/25 to 2027/28) **Appendix 4:** Reserves Strategy

Executive Summary

In February each year, the Council is required to approve the Council Tax for the forthcoming year. To achieve this, the Council has to:

- prepare an annual budget that has to comply with statutory regulations as well its own Constitution and local corporate priorities.
- a medium-term financial strategy (MTFS) that aids future decision making.

All budgets are organic in nature, in that they are a best estimate of resource allocation to meet the Councils corporate priorities; consequently, they can change over time; as the coronavirus pandemic and the cost-of-living/inflationary economic climate is currently showing.

An essential part of the budget setting process is the agreement of a set of “budget principles”, which are detailed later in this report. These principles set the foundation upon which the budget will be built. Further, it is also opportune for the Cabinet to review and agree any updates to the Reserves Strategy.

Recommendations
To approve the: • budget principles, delegations and definitions that are summarised in **Appendix 3**. • Reserves Strategy in **Appendix 4.**
Reasons for Recommendations
To develop the foundation on which to support the development of the Budget and Medium-Term Financial Strategy.

1. Purpose of Report

1.1 To:

- highlight to members the budget setting process and get agreement on key principles to support the development of the 2024/25 Budget and Medium-Term financial Strategy (2025/26 to 2028/29), and
- confirm the principles of the Reserves Strategy.

2. Background

Review of 2023/24 Budget and Medium-Term Financial Strategy

2.1 In February 2023, the Council approved the 2023/24 Budget and Medium-Term Financial Strategy (MTFS) (2024/25 to 2027/28); the key aspects of the budget and MTFS are as follows:

i. for 2023/24:
   - a net expenditure budget of £12.5m,
   - a budget requirement of £16.9m,
   - a net contribution to reserves of £4.4m,
   - an “nil” increase in Council Tax of £177.97 (same as 2022/23).

ii. for the MTFS, by 2027/28:
   - net expenditure increasing to £15.1m (+21.9%).
   - budget requirement decreasing to £13.8 (-18.1%).
   - a total contribution from reserves of £1.3m; of which £206k from Earmarked Reserves and £1.1m from General Reserves.
   - a notional increase in Council Tax of £5 per year to £200.22.

Current 2023/24 Forecast Outturn

2.2 Elsewhere on the agenda, Cabinet will receive the 2023/24 Quarter 2 report which is forecasting an “in-year” saving of £190k (£410k after the application of approved carry forwards from 2022/23).

2.3 This overall net saving is a mix of service savings and pressures but is mostly explained by the additional investement income generated as a consequence of the continued increases in interest rates over the year. Current expectations are that interest rates have now peaked and will start to fall from late 2024.

3. Details

Strategic Budget Principles, and longer-term budget setting.

3.1 For the forthcoming 2024/25 budget/MTFS setting round, it is proposed that the Strategic Budget Principles noted in (A) to (B) below are adopted. Both of these principles represent good practice in respect of good financial management and the Councils commitment to the delivery of core services, further these principles have been basis of the budget setting for the past few years.

Strategic Budget Principles:

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.

3.2 In respect of:

A. the approved net expenditure envelope, this will be the "Updated Budget" that was reported to Cabinet in September as part of the Quarter 1 Financial Performance Monitoring (i.e. approved budget + approved carry-forward)

B. financial sustainability, it is fair to acknowledge that this principle has been a challenge over the past few years budget cycles. To help with financial sustainability, the Council approved the establishment of a Financial Sustainability Earmarked Reserves when it set the 2023/24 budget. The issues that contributed to this pressure include the compounding of pay awards and the potential impact of changes to the Waste Service. With the more recent pressures due to inflation along with changes in service delivery and demand the pressures over the MTFS are expected to remain.

Budget Inflation & Growth

3.3 In any budget setting process, it is necessary to set-out the inflation principles within which certain aspects of the budget will be set. Considering the financial challenge that the Council continues to face the inflation principles that will be applied for 2023/24, and over the MTFS period, will remain similarly "tight" as they were in previous years. This "tighter" approach is necessary to help mitigate cost inflation and ensure that the limited financial resources available to the Council are used in the most effective way possible.

Income

3.4 **General Service Income**;

3.4.1 **Statutory Fees & Charges**; it is recommended that where the Council has to set a level of fees by law, then those fees are increased at the earliest opportunity.

3.4.2 **Discretionary Fees & Charges**; it is recommended that all service income lines applicable to discretionary services are reviewed on a 3-year cyclical basis to ensure that they achieve cost-neutrality; for the two intervening years the prevailing CPI rate that was published in the preceding October is applied. The rate to be applied for the 2024/25, based on the CPI rate announced in October 2023 is 6.7% (subject to the exemptions noted in **Appendix 1**). For the 2023/24 budget, the equivalent rate was 10.1%.

Budget Principle (1)
General Service Income;

i. ***Statutory Fees & Charges, where:***
   - **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.**

ii. ***Discretionary Fees & Charges, subject to the exceptions noted in (Appendix 1) below:***
   - **all service income lines applicable to discretionary services and are reviewed on a 3-year cyclical basis,**
   - **for the two 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 of Resources, in consultation with the Portfolio Holder for Finance**

iii. **At times during the financial year, it is occasionally necessary to adjust fees and charges; indeed it may be necessary to introduce a new charge. Such changes are to be agreed by the Director of Resources, in consultation with the Portfolio Holder for Finance.**

Costs

Inflation

3.5 Our Treasury Advisors have provided graphical forecasts in respect of the Strategic Inflation Indices (Retail Prices Index & Consumer Prices Index) and Energy Indices (Gas/Electricity) for the period through to December 2025 at **Appendix 2**. Although these graphs show a reduction in all inflation indices through 2023 and until mid-2024, what needs to be recognised is that the cost of goods and services will be at a “new” higher base – so the cost of delivering services will be significantly higher than at present.

3.6 **Pay Inflation**; the Council is part of the national local government pay-bargaining process. The 2023/24 increase now agreed as follows:

- flat £1,925 for scale points 1 to 43 (to top of Grade 10),
- 3.88% for scale points 44 to 60 (Grade 11 to Grade 14), and for the 3.5% agreed for the Chief Executive grade,

For the 2023/24 budget, the Council budgeted for an increase of 4% (Council 27 Feb, Appendix 3). Based on the currently negotiated position, this reflects an over budget position of £75k. **Table 1** below shows the increases in spinal points:

2023/24 Grade Inflation compared to		Table 1
Grade	**Lowest Spinal Point**	**Highest Spinal Point**
2	9.08%	8.76%
3	8.61%	8.30%
4	8.00%	7.44%
5	7.17%	6.54%
6	6.19%	5.85%
7	5.69%	5.30%
8	5.17%	4.76%
9	4.64%	4.32%
10	4.14%	3.88%
11	3.88%	3.88%
12	1.94%	3.88%
13	3.88%	3.88%
14	3.88%	3.88%
Chief Exec	3.50%	3.50%

3.6.1 Shown below are the pay inflation rates to be included within the current MTFS. In respect of 2024/25, Councils across Leicestershire are modelling various increases, ranging from 3% to 6%. It is therefore proposed that for 2023/24 the Council includes an increase of 3.5% (this is the same that was included for 2024/25 in the MTFS that was approved in February 2023) but for 2025/26 onwards the rate to also be 3.5% (this is 0.5% more that was included in the MTFS that was approved in February 2023):

	Current MTFS	Next MTFS
• 2024/25	3.5%	3.5%; £349k
• 2025/26	3.0%	3.5%; £361k
• 2026/27	3.0%	3.5%; £374k
• 2027/28	3.0	3.5%; £387k
• 2028/29	No number	3.5%; £401k

Budget Principle (2)
Pay Inflation: to be increased to 3.5% for 2024/25 and remaining at 3.5% for the remainer of the MTFS period.

3.7 **Pay Oncosts**; as an employer the Council is required to charge oncosts for National Insurance and Pension. In respect of 2023/24 the rate for:

- **National Insurance** will be 13.8%. This is in line with previous years.
- **Pensions** will be 33.4%. The Council is part of the Leicestershire Local Government Pension Scheme and 2024/25 will be the second year of the current triennial valuation period which ends in 2025/26.

Budget Principle (3)
Pay Oncosts: National Insurance and Pensions Oncosts to be 13.8% and 33.4% respectively for 2024/25, remaining the same through to 2025/26).

3.8 **Vacancy Factor**; the Council includes a Vacancy Factor (VF) within its budget; such factors are a proxy that reflects salary savings that are likely to accrue between a “Leaver” leaving and a “New Starter” starting. For 2023/24 the VF was increased to £180k reflecting the preceding two years where the VF gap exceeded that previously set. For 2024/25 and each year of the MTFS, it is proposed to keep the VF at the 2023/24 rate.

Budget Principle (4)
Vacancy Factor: for 2024/25 and each year of the MTFS to maintain the VF at £180k (as applied in 2023/24).

3.9 **General Service Inflation**; when the Council set its 2023/24 budget it set a general service inflation rate of 0%. A 0% rate introduces direct cost-control within the Councils service budgets which effectively means that services have to meet service-related inflation from within their approved budgets. Following some initial budget discussions with services, this principle still holds for many service-related costs. However, some services are currently challenged by some impacts of inflation, and these will be considered by exception as part of the service review process for the ongoing budget setting process. For all other services, it is therefore proposed that this principle is maintained except for the items shown in paragraph 3.10 below.

3.10 In respect of:

i. **utility costs**, the Council is seeing significant increases in costs associated with:

- **electricity**; for 2023/24 the current cost for The Symington Building (TSB) is being exceeded by 98%. The Council is in a contract via the Eastern Shires Purchasing Organisation (ESPO) and current expectations are that commercial rates will gradually reduce during 2024 but thereafter, the council may start to see further increase. It is therefore proposed that the electricity cost to increase to £130k for 2024/25, with a phased reduction back to the current budget of £66k by the end of March 2026. Each year thereafter to remain at that level.
- **gas**; for 2023/24 the current budget of £21k has already been exceeded and by the year-end it is expected to be exceeded by approximately 150% (circa £52k). The current ESPO contract is forecasting a decrease during 2024/25. Is therefore proposed that the gas cost for 2024/25 to be increased to £40k, with a phased reduction back to the current budget by the end of March 2026. Each year thereafter to remain at that level.
- **climate change levy (CCL);** from April 2024 His Majesty's Revenue & Customs will be setting the CCL. Based on current usage it is expected that the cost for 2024/25 will continue to be below £1k (and continuing each year thereafter).

ii. **larger contractor costs**; namely FCC for Environment/Waste and Grounds and Leisure.

- **FCC**, this contract is financially significant to the Council; for 2023/24 the cost is £5.4m which represents 37.1% of the Councils net expenditure. It is therefore essential that the cost of the contract remains structurally integral to the Councils overall budget. The efficiency of the contract is continually under review but even under such scrutiny, other than 2021/22 (as shown below) the inflationary costs associated with the contract have been increasing year-on-year:

- 2018/19 3.79%
- 2019/20 4.02%
- 2020/21 2.63%
- 2021/22 -1.06%
- 2022/23 6.67%
- 2023/24 10.49%

The Council does not receive "confirmed" inflation increases from FCC until the January/February preceding the new financial year. Based on Septembers indices, the November price review is indicating an additional cost of £300k for 2024/25. This increase will be monitored over the coming few months in the lead up to the preparation of the Draft Budget.

- **Leisure**; the council will have a new leisure contract from April 2024. The contract is currently being procured but the expected position is that the net cost to the council will be £Nil or better in the council's favour. Consequently, the council will budget for a "net nil" revenue position.

New Larger Contracts: Implications of the Environmental Act and New Depot

3.11 If everything had been equal, the Council would have been letting a new environment contract (waste and grounds) from 1st April 2025. However, as a consequence of the environment act and external operational considerations in respect of disposal, it is likely that the Council will have to extend the contract by a further two-years (i.e. a new contract from 1st April 2027). The following are the proposed principles to be adopted:

i) Two-year contract extension, to reflect the:
   - current inflationary environment the current contract be increased by 5% for 2025/26 and 2026/27 (Estimates at Q2 of 2023).
   - increased contractual demands, a flat £400k increase be applied over-and-above the 5% increase noted above.

ii) To reflect a new contract from April 2027, a 5% cost escalator is added to the evaluated annual cost for 2026/27 to reflect the potential costs associated with the government's potential changes to future waste collection (environmental act).

3.12 At this time the Council does not have its own depot from which any fleet services can be based. This could potentially pose a significant “cost risk” to the Council if a depot is not acquired in time for the contract relet. When the 2023/24 budget was approved by the Council, the estimated capital cost of a new depot was increased to £10m. As well as the capital programme allocation, the associated revenue financing costs; Minimum Revenue Provision (MRP) were also included in the revenue budget. The inclusion of the annual revenue “MRP” amount not only recognises the cost of capital for any new depot but it will also mitigate against the potential cost risk if the Council is not able to acquire a new depot and has to include additional revenue resources within its own budget to meet any such additional liability from a new provider.

Budget Principle (5)
General Service Inflation to be set at 0%, except for:

i) ***Utility costs;***
   - ***electricity, is increased to £130k for 2024/25, with a phased reduction back to the current budget by March 2026.***
   - ***gas, is increased to £40k for 2024/25, with a phased reduction to the current budget by March 2026.***
   - ***Climate change levy, no budget adjustment is made for this budget setting period.***

ii) ***the FCC Contract; an indicative of £300k for 2024/25.***

iii) ***the new Leisure contract from April 2025 will assume a net nil income stream to the council.***

iv) ***the implications of the new environmental act and new depot from 2025/26 onwards:***
   - ***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.***

3.13 **General Service Growth**; the assumption in the past has been that there will not be any general service growth over the medium term. However, with a new administration there is sometimes a change in priorities that may attract growth. This growth has yet to be determined and will be reported as part of the draft budget setting process. Consequently, other than political growth the following “growth” principles will be maintained:

i) budget corrections, or growth approved via previous budget approvals,
ii) any subsequent transformation programme,
iii) statutory or regulatory changes, and
iv) items approved separately by Council.

Where posts are regraded that result in a higher grade, then savings elsewhere need to be made to finance the wage growth.

Budget Principle (6)

General Service Growth; there will not be any general service growth, except:

i) for political reprioritisation.

ii) where 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.

iii) where costs must increase (i.e. due to post regrading's), savings elsewhere will be required to neutralise the additional cost.

Non-Service Funding & Related Indices

3.14 **Non-Domestic Rates** (NDR, or Business Rates); the Council is currently part of the Leicestershire Business Rates Pool (LBRP) and up to March 2022, the total contributions to the to LBRP are £56.5m; of which £54.5m has been allocated for investment across Leicestershire. Of this, approximately:

- £12.2m (22%) relates to receipts from the Harborough area that would otherwise have been paid over to the government (this is based on the pooling arrangement since 2015/16).
- £1.6m (21%) of the District allocations have been allocated to the Harborough area for investment *(NB. £1.6m represents 7% of total contributions, but the LBRP would not exist if Leicester City and Leicestershire County Councils, as "Top-Up" authorities were not part of the LBRP)*.

3.15 Over the past year, the participants of Leicestershire Business Rates Pool have agreed to change the pool distribution arrangements. This has especially come into focus following the proposed demise of the Local Enterprise Partnership. The new approach is a 1/3 sharing between the County, City and District Councils, which was agreed by delegation in April 2023, with the sharing between Districts based on a basket of disaggregation approaches which was agreed by delegation in May 2023. At this time, the Council is expecting a distribution for 2020/21 and 2021/22 totalling circa £1.3m which will immediately be allocated to reserves.

3.16 However, in respect of the Councils own NDR, it is recommended that the Council continues with its prudent approach of budgeting for NDR receipts at previous year's budget levels, with any increases only based on:

- known commercial developments that will deliver "certain" NDR growth within the MTFS period, and
- the governments annually set NDR multiplier (this will not be known until the provisional financial settlement is announced later in the year).

The reason for this prudent approach is so that it provides a more stable stream of funding from which the Council can deliver services sustainably over the medium-term.

Budget Principle (7)
Non-Domestic Rates:

i) ***future receipts from the Leicestershire Rates Pool will be allocated to reserves.***
ii) ***only known commercial developments that will deliver "certain" NDR growth.***
iii) ***the NDR income stream will be inflated by the government's stipulated multiplier.***

3.17 **New Homes Bonus** (NHB); from 2021/22 the Council committed to start to remove NHB from its base budget.

3.18 In respect of NHB it is understood that NHB will:

- remain for 2024/25. The Council, like all local government, learns its NHB allocation when the financial settlement is announced in late December.
- be a single year allocation for 2024/25 (i.e. no legacy payments).

3.19 With regard to future years allocations (i.e. 2025/26 onwards), the government has not yet announced the results of the NHB consultation that was held last year. Commentators are expecting that the review of NHB will be rolled into the wider review of Fair Funding and the new Extended Producer Responsibility when it is introduced. However, during 2024/25 there is expected to be a general election so it is unlikely that there will be a significant change in "net" local government funding before 2026/27. It is therefore proposed that for 2024/25, the Council recognises 100% of the December financial settlement allocation and, as per the approach followed when the 2023/24 budget was set, an allocation for 2025/26 of 65% of 2024/25. For subsequent years, no NHB allocation is made.

Budget Principle (8)
New Homes Bonus; to be applied as general fund grant. With 100% allocated for 2024/25 and 65% for 2025/26; nil thereafter.

Fair Funding

3.20 Fair Funding (FF) is a government led initiative to develop a new funding formula. Its intention is to rebase local government funding to enable a more equitable distribution of centrally allocated funds; primarily via the business rates system. It is anticipated that FF will have a negative impact on the southern and midlands councils and current modelling is showing a worsening funding settlement over the medium-term. In addition, it is expected that the government will “reset” the NDR baseline; this will remove some of the “growth” currently within the Councils NDR receipts. However, because of the coronavirus pandemic the government had originally planned to delay FF until 2022/23; but with the recent change in Prime Minister and the current cost-of-living crisis; current intelligence is indicating that the FF may be some years off. In anticipation of a potential negative FF impact, it is recommended to again include a prudent “negative funding adjustment” as in previous years. However, considering that the government has committed to a two-year settlement the likelihood of FF being introduced before 2025/26 is considered unlikely. The current negative FF adjustments are shown below along with the proposed adjustments over the MTFS period:

	Current MTFS	Next MTFS
• 2024/25	£0k	£0
• 2025/26	£99k	£0k
• 2026/27	£198k	£99k
• 2027/28	£297k	£198k
• 2028/29	£350k	£297k

Budget Principle (9)
Fair Funding: To help mitigate the future impact of Fair Funding (& the NDR “reset”), to include a negative funding stream of £0k for 2024/25 and 2025/26; £99k, 2026/27; £198k, 2027/28; £297k, 2028/29.

Collection Fund (Surplus)/Deficit

3.21 In January each year the Council is required to calculate its estimated share of the Collection Fund as at the forthcoming 31st March. If it is a surplus, this increases the funding available to the Council, but if it is a deficit this is an additional funding pressure.

3.22 A definitive surplus or deficit cannot be calculated until January due to the inbuilt volatility within the Collection Fund account (i.e. an individual or business's ability to pay or indeed new properties coming onto respective rating lists.).

Council Tax Base

3.23 The Local Government Finance Act 1992, as amended, requires the Council to fix the Council Tax base for 2024/25 between 1 December 2023 and 31 January 2024. The calculation will be prepared in accordance with the Regulations 'Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012/2914)' which came into force on 30 November 2012. The Council Tax Base is defined as the number of Band D equivalent properties in a local authority's area. An authority's tax base is considered when it calculates its council tax. It is calculated by adding together the "relevant amounts" (the number of dwellings) for each valuation band then multiplying the result by the Council's estimate of its collection rate for the year (this collection rate will reflect past rates and an estimate of bad debt). For 2023/24 there was an overall increase in the council tax base, although some individual parishes tax bases did decrease. Because of the Coronavirus Pandemic, for 2021/22 and 2022/23 the Council significantly increased its irrecoverable rate to 2% (increased from 1%). For 2023824, because of the ongoing cost-of-living crisis and the risk of "Council Tax default", the prudent irrecoverable rate of 2% was similarly applied (for 2023/24, financial impact of a irrecoverable rate of 2% compared to 1% is a loss of Council Tax of £69k). Upon considering the reasons below, it is proposed that an irrecoverable rate of 2% is applied for 2024/25:

i. based on September 2023 collection rates, Council Tax collection as a proportion of the total Council Tax Debit was 56.2%, which is:

- 0.2% below the collection rate of 56.4% for the same period in 2022/23, and
- 1.2% below pre-pandemic collection rates of 57.4% (2019/20).

ii. As shown in the statutory return for new house building (CTB 1), the following shows a general decline in new build since 2020:

- Increase in house build between 2020 and 2021: 2.62%
- Increase in house build between 2021 and 2022: 2.65%
- Increase in house build between 2022 and 2023: 2.02%

Budget Principle (11)
Council Tax Base:
Subject to modelling, an irrecoverable rate of 2% is applied when the Council Tax Base is calculated prior to budget setting.

Reserves Strategy

3.24 In November 2020, Cabinet approved a new Reserves Strategy. This strategy is reviewed each year, the last revision approved by Council in February 2023 (Appendix 6); it is now opportune to review the Strategy.

3.25 The main tenants of the Reserves Strategy are:
- a minimum level of General Fund (Unallocated) Reserves (20% of net expenditure),
- a series of new Earmarked Reserves, and
- appropriate governance arrangements in respect of the management of reserves.

3.26 The freedoms permitted by the Reserves Strategy has:

- given the Council a locally agreed minimum level of reserves that it must make every effort not to breach to ensure that it can continue to deliver its immediate services.
- provided a clear set of Earmarked Reserves that have a clear purpose.
- allowed proactive and pragmatic management of reserves to support the ongoing delivery of services.

3.27 There are no suggested changes to the Reserves Strategy, this is shown at **Appendix 4.**

General Budget Definitions

3.28 Having prepared the budget last year, some "definitions" of aspects of the budget is necessary to aid understanding and its operation:

1) The **Budget** is for the year that the Council Tax is set and a commitment of resource allocation. It includes the following revenue items:
   - 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.

2) 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.

3) The **Capital Programme** includes the gross capital expenditure and sources of finance and covers both the budget year and the duration of the MTFS. Movements within the Capital Programme are permitted providing the overall resourcing envelope is not exceeded; including changes in fundings sources providing budgeted revenue commitments are not exceeded.

4) 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. The use of Earmarked Reserves is as per the agreed process within the Reserves Strategy.

4. Implications of Decisions

4.1. Corporate Priorities

The contents of this report supports the Council in the development of next year's budget and medium-term financial strategy; which then provides the resource allocations to delivery its Corporate Priorities.

4.2. Financial

These budget principles will set the foundation for the setting of the 2024/25 budget and MTFS. These principles are similar in nature to those applied for the 2023/24 budget (& MTFS). Further they are complementary to the Councils service transformation programme. The Reserves Strategy determines how reserves are to operate.

4.3. Legal

This report supports the Chief Financial Officer in meeting his statutory responsibilities in respect of the proper administration of the Councils financial affairs (s.151 of the Local Government Act 1972).

4.4. Policy

No policy issues arise directly from this report.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**

There are no direct environment implications arising from this report.

4.6. **Risk Management**

The budget principles and reserves strategy will help to mitigate the risks associated with budget setting, manage expectations, and permit the Council to delivery its services as efficiently and effectively as possible.

4.7. **Equalities Impact**

There are no direct equality implications arising from this report.

4.8. **Data Protection**

There are no direct data protection implications arising from this report.

5. Summary of Consultation and Outcome

Consultation has been undertaken with the Portfolio Holder.

6. Alternative Options Considered

Not applicable.

7. Background papers

None.