

# **BROMSGROVE DISTRICT COUNCIL**

## **Cabinet 11<sup>th</sup> September 2024**

### **Initial Budget Setting**

Relevant Portfolio Holder	Councillor Steve Colella, Cabinet Member for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Head of Finance & Customer Services email:debra.goodall@bromsgroveandredditch.gov.uk Contact Tel: 0152764252
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

#### **1. SUMMARY**

The purpose of this report is to set out the processes the Council will follow for the 2025/26 to 2027/29 Medium Term Financial Plan process

#### **2. RECOMMENDATIONS**

**Cabinet are asked to Resolve that:**

- The 2 Phase Budget Process is again followed for the 2025/26 to 2027/28 Medium Term Financial Plan:

#### **3. KEY ISSUES**

##### **Financial Position**

- 3.1 The next Budget to be set will be the 2025/6 to 2027/8 Medium Terms Financial Process (MTFP). The Council, as with previous years will follow a 2 Phase process.

This initial Report will set out, in revenue terms

- 1) The National Impacts of the Chancellors Statement on the 29<sup>th</sup> July.
- 2) The 2 Phase timetable for both Councils.
- 3) The approved Starting Points for 2025-26 Budget.
- 4) Present risks and issues that will need to be addressed in the budget.

### **National Impacts of the Chancellors Statement on the 29<sup>th</sup> July**

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- 3.2 The new Chancellor's Initial Statement was made on the 29<sup>th</sup> July. This set out that:
- the results of an audit of public spending undertaken by HM Treasury, immediate action to find savings in response, and long-term reforms to restore public spending control and improve public services
  - the date of the next Budget as Wednesday 30 October 2024 and formally commissioned an OBR forecast for this date
  - the launch of the next Spending Review which will settle 25-26 budgets alongside the Budget and conclude the multi-year Spending Review in spring 2025
  - acceptance of the recommendations of the independent Pay Review Bodies for public sector workers' pay
  - the publication of next steps and draft legislation on priority tax commitments ahead of full announcement and costing at the Budget
- 3.3 Of direct impact to the Local Government Sector will be:
- acceptance of the recommendations of the independent Pay Review Bodies for public sector workers' pay.
  - VAT on Private School Fees & Removing the Charitable Rates Relief for Private Schools.
  - Changes to Planning Numbers and planning legislation.
- 3.5 Labour has pledged not to put up income tax or National Insurance rates, but confirmed that they will have to increase some taxes in the Budget.
- 3.6 Here are the changes announced so far and the potential tax changes that could be confirmed in the Autumn Budget later this year.

### **Winter Fuel Payment to be means-tested**

- 3.7 The universal [Winter Fuel Payment](#) is worth up to £300 and currently paid to anyone receiving the state pension to help with heating bills. The Chancellor has said the support will be limited to those who receive [pension credit](#) or other means-tested benefits this winter.

### **Adult social care cap shelved**

- 3.8 A plan by the previous Conservative government to cap how much people have to pay for adult social care from October 2025 will be shelved.

### **Public sector pay rises**

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3.9 Public sector workers are set to receive the following increases to their pay:

- NHS workers and teachers: 5.5%
- Armed forces personnel: 6%
- Prison service workers: 5%
- Police: 4.75%

Presently there is not a figure for local Government.

3.10 Other potential areas that the Chancellor could look to make announcements about later this year include:

### **Capital gains tax hike**

3.11 CGT is charged on the profits you make from selling an asset, such as a second property or valuable possession. The Government is considering increasing CGT rates to match those of income tax. The highest CGT rate is 28%, compared to the top income tax rate of 45%.

### **Closing inheritance tax loopholes**

3.12 IHT is a 40% tax charged on anything over £325,000 in your estate. However, the most recent HMRC statistics show less than 4% of estates actually paid it in 2020–21. The Government may therefore be tempted to make changes to IHT, with the Resolution Foundation suggesting she could decide to end some of the [generous reliefs](#) which mean people can legitimately reduce the bill for family members and friends.

### **Pension tax relief**

3.13 A two-stage pensions review has already been launched by the Chancellor and she could announce changes to the rules on pension tax relief too. Currently, savers that contribute to their pension pot get tax relief on any money put in. It's effectively a refund and is linked to the rate at which you pay income tax. So basic-rate taxpayers get 20% back, while higher and additional-rate taxpayers are entitled to 40% and 45% respectively.

### **Council tax reform**

3.14 Another area rumoured to be in line for a shake-up is council tax. There is speculation that the government will overhaul the [current 'band' system](#) and replace it with a flat 0.5% tax based on the value of a home.

3.15 If that were to happen, it would mean some houses might see council tax bills fall, while others would rise. For example, current Nationwide Price Index data shows residents in London, where the average home costs £525,248, could theoretically end up paying

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much more (£2,626) than someone living in the same type of property in the North of England, where an average £158,467 home could mean a £792 annual council tax bill.

### **Crackdown on spiralling insurance costs**

- 3.16 The government pledged to tackle the problem of soaring car insurance premiums in its election manifesto and more details could be included in the Autumn Budget.

### **Fuel duty rise**

- 3.17 The Government could raise the rate of fuel duty – a tax charged per unit of fuel purchased which is included in the price paid for petrol, diesel and other fuels used in vehicles or for heating. The rate has been frozen since 2011 and was cut temporarily by 5p in 2022. That reduction was extended in the Spring Budget 2024.

### **Proposed 2 Phase Budget Timetable**

- 3.18 The following is the proposed budget timetable for 2025/6:

7<sup>th</sup> August – Initial Budget Setting Report to CMT

28<sup>th</sup> August – Initial Budget Setting Report approved by CWG

11<sup>th</sup> September – Initial Budget Setting Report approved at Cabinet

29<sup>th</sup> October – Chancellors Announcement

30<sup>th</sup> October – Phase 1 Budget and Fees and Charges to CMT

6<sup>th</sup> November - Phase 1 Budget and Fees & Charges approved at CWG

20<sup>th</sup> November – Phase 1 Budget and Fees & Charges approved for Consultation by Cabinet

11<sup>th</sup> December – Phase 1 Budget and Fees & Charges Consultation Responses/Updates at CWG

18<sup>th</sup> December – Estimated Provisional Local Government Settlement Date

7<sup>th</sup> January - Phase 1 Budget and Fees & Charges approved by Cabinet

8<sup>th</sup> January – Phase 2 Budget approved by CMT

15<sup>th</sup> January – Phase 2 Budget approved by CWG

22<sup>nd</sup> January – Phase 1 Budget and Fees & Charges Approved by Council

12<sup>th</sup> February – Phase 2 Budget approved by Cabinet

19<sup>th</sup> February – Phase 2 budget and Council Tax Resolution approved by Council

### **Approved Starting Point for 2025/6 Budget**

- 3.19 The Bromsgrove position is on the following page, the base assumptions are:

- 1) Pay Award from 25/6 is 2%.
- 2) Fees and Charges increase by 2%.

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- 3) Council Tax – Figures assume the full 1.99% allowable increase over all years of the 3-year MTFP.. For prudence, it is assumed that increases of 150, 200 and 150 over the three-year period.
- 4) Business Rates Increases – business rates assume no growth in the base.
- 5) New Homes Bonus/Government Grants – It is assumed that levels would be the same as previous year.

	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
<b>Base Budget Position 22/23 MTFP</b>				
Expenditure	11,948	12,077	12,347	12,347
Funding	-10,360	-10,864	-10,724	-10,724
<b>Net</b>	<b>1,588</b>	<b>1,213</b>	<b>1,623</b>	<b>1,623</b>
<b>Revised Gap 22/23 MTFP</b>	<b>1,588</b>	<b>1,213</b>	<b>1,623</b>	<b>1,623</b>
<b>Phase 1 Savings 2023/24 MTFP</b>	<b>-1,625</b>	<b>-1,847</b>	<b>-1,748</b>	<b>-1,748</b>
<b>Revised Position</b>	<b>-37</b>	<b>-634</b>	<b>-125</b>	<b>-125</b>
<b>Phase 1 Pressures 2023/24 MTFP</b>	<b>1,602</b>	<b>1,608</b>	<b>1,769</b>	<b>1,769</b>
<b>Phase 1 2023/24 MTFP Position</b>	<b>1,565</b>	<b>974</b>	<b>1,644</b>	<b>1,644</b>
Local Government Settlement	-1715	-1200	-1200	-1200
Additional Savings (Phase 2)	-707	-707	-707	-707
Additional Pressures - Phase 2	1107	889	694	694
<b>Final 2023/24 MTFP Position</b>	<b>250</b>	<b>-44</b>	<b>431</b>	<b>431</b>
<b>Known Changes - Tranche 1 24/5</b>				
23/4 Pay Award - 4% More than planned		770	770	770
Utilities Increases running at 60% - 40% Savings		-140	-140	-140
Existing Inflation Budget (Unallocated)		-188	-194	-194
Inflation on Contracts - additional 5%		90	90	90
Additional 1% on 24/5 Pay Award - to 3%		154	154	154
7% Additional Fees and Charges Income		-273	-273	-273
Additional 2% Pay Award for 26/7				308
Quarter 1 23/4 Overspend position	<b>788</b>			
Use of 23/4 Utilities Reserve	<b>-351</b>			
2% Council Tax 2025/6			-191	-191
2% Council Tax 2026/7				-195
Year 2 Fees and Charges Income at 2%			-101	-101
Year 3 Fees and Charges Income at 2%				-101
Increase in number of Properties (Ctax Income)		-36	-84	-121
Government Grant at 23/4 Levels		-515	-515	-515
<b>Draft Opening Position</b>	<b>437</b>	<b>-182</b>	<b>-53</b>	<b>-78</b>
<b>Service Adjustments</b>				
Reduction in Benefits Overpayments Target		200	200	200
Use of HVO Fuel by 100% of Fleet		30	30	30
Increase in HR Establishment		10	10	10
PRA Housing Licence Costs		15	15	15
Nw/Wm Increased Charges		39	39	39
Interest Charges on Updated Capital Programme		35	36	36
MRP Increases on Capital Programme		24	46	48
<b>Revised Tranche 1 Position</b>	<b>437</b>	<b>172</b>	<b>323</b>	<b>300</b>
Council Tax - Increase to 3%		-91	-91	-91
Planning Income (Base Budget £580k) at 25%		-145	-145	-145
Parking Income		-100	-100	-100
Actual Impact on budgets of Pay Award		-125	-125	-125
Business Rates adjustment		-427	-350	-350
WRS Additional Food Safety Officer		33	33	33
Parking SLA Increase		60	60	60
Planning and Environmental Enforcement		85	85	85
Play Audit - Revenue Implications		10	30	50
Housing Strategy Report		71	71	71
Additional Committee Services		40	40	40
N/wedR Back in House		73	73	73
Changes in other Central Grants		30	30	30
IPR Recommendation		33	33	33
Citizens Advice Funding		10	10	10
Parking Review		50	0	0
1% Increase to Pay Awards in 24/5 to 4%		154	154	154
Provisional Funding Announced on 23rd January		-126	-126	-126
Regeneration Reserve		150	0	0
Landlord Capital Requirement of Artix at £20k a year		1	3	5
<b>Updated Position Tranche 2</b>		<b>-42</b>	<b>8</b>	<b>7</b>

### **Present Risks and issues that will need to be addressed in the budget**

3.20 The following are risks that will need to be considered in the formulation of this year's budget:

- The actual 24/5 pay award and if it is funded?

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- Can Fees and Charges move up by more than 2%?
- Is 2% right for pay inflation?
- What is the right assumption for changes in pension costs from 2026/7 as at the moment this has contributed £1m?
- How will increases in planning numbers increase Council Tax numbers in the MTFP time period?
- Are 24/5 savings being delivered?

### **4. Legal Implications**

4.1 No Legal implications have been identified.

### **5. Strategic Purpose Implications**

#### **Relevant Strategic Purpose**

5.1 The Strategic purposes are included in the Council's corporate plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all of our Strategic Purposes.

#### **Climate Change Implications**

5.2 The green thread runs through the Council plan. Every report has potential financial implications and these in term can have implications on climate change. These will be addressed and reviewed through individual reports when relevant by climate change officers will ensure the correct procedures have been followed to ensure any impacts on climate change are fully understood.

### **6. Other Implications**

#### **Customer / Equalities and Diversity Implications**

6.1 None as a direct result of this report.

#### **Operational Implications**

6.2 Managers meet with finance officers to consider the current financial position and to ensure actions are in place to mitigate any overspends are resolved in the following years budget.

### **7. RISK MANAGEMENT**

7.1 The financial monitoring is included in the corporate risk register for the authority

### **8. APPENDENCES**

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None

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