

BROMSGROVE DISTRICT COUNCIL

CABINET

12th February 2025

MEDIUM TERM FINANCIAL PLAN 2025/6 TO 2027/8 – Tranche 2

Relevant Portfolio Holder	Cllr. Steve Colella, Finance Portfolio Holder
Portfolio Holder Consulted	Yes
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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.	
This report contains exempt information as defined in Paragraph(s) 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. SUMMARY OF PROPOSALS

- 1.1 The Council has set its budget in two Tranches this year as it did in the 2024/5 Medium Term Financial Plan (MTFP) process. The initial Tranche was published in December 2024 and approved initial pressures and increases at Council in January. This second Tranche is being considered now that the final Local Government Settlement figures are known. The final budget will be approved at Council in February.

2. RECOMMENDATIONS

Cabinet are asked to Recommend to Council that:

- 1 The Tranche 2 growth proposals.
- 2 The additional funding to the Council as per the final Local Government Settlement, including the estimated levels for 2026/7 and 2027/8.
- 3 The Tranche 2 savings proposals, including an increase of Council Tax of 2.99%.
- 4 Approve the Commercial and Worcestershire Regulatory Services fee increases for 2025/26.
- 5 The updated five year Capital Programme 2025/6 to 2029/30 along with its ongoing revenue costs.
- 6 The levels of Earmarked Reserve being carried forward into future years and the setting up of the Property and ERP Reserves..
- 7 The level of General Fund balances following additions from the 2025/6 MTFP.
- 8 Members take account of any feedback from the Tranche 2 consultation process undertaken.

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Cabinet note that:

1. Members understand and accept the implications set out in the S151 Officers Robustness (S25) Statement of this 2025/26 to 2027/28 Medium Term Financial plan in moving the Council to financial sustainability.
2. The need for accelerated business cases to be worked up to enable upgrades of infrastructure to the District for consideration in line with work set out in paragraph 3.19 for completion prior to vesting day.

3. Background

Introduction

- 3.1 The Council sets a 3-year Medium Term Financial Plan every year, with the final Council Tax Resolution being approved by Council in February. This year's process has been more difficult due to the following factors:
- The starting point from the 2024/5 MTFP is positive with respective neutral balances at the starting points for both years.
 - That this is the first budget of a new National Government and will be for only 1 year in duration. The Government have indicated that resources are tight which has been reflected in the Provisional Local Government Settlement in December.
 - The present cost of living crisis which continues to impact our most vulnerable residents.
 - Three years accounts (2020/21 to 2022/23) delivered with a "disclaimer Opinion" and 2023/24 Accounts also likely to have a similar opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing but the ongoing implications are still not clear.
 - The continued uncertainty of the existing movement of the Government to funding projects for specific outcomes and the movement of this from a bidding process to an "allocations" process.
 - Uncertainty over the final mode of working for the Council and what will be required by the new Government, our residents and our Members.
 - Loss of key personnel, present vacancies rates (although only half the national average), and staff retention – linked to the Workforce Strategy.
 - Business Rates and Council Tax Income – and associated collection rates and reliefs linked to the "cost of living" crisis and C-19 grants working their way through our system.
 - Inflation is now moving back to the Government target of 2%.

As such, it is prudent to split the budget process into two tranches,

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- Having an initial Tranche which seeks to close as much of the deficit as possible using information known as at the end of October and seeking approval for those savings to be implemented at Council in January,
- Having a second Tranche after the Christmas break, for which approval will be sought in February, that takes account of the Local Government Settlement whose final detail will not be known until early January.

3.2 This report will set out:

- The approved Tranche 1 Position including base assumptions.
- The impact of the Local Government Settlement.
- Council Priorities
- Strategic Approach
- The final Tranche 2 three year balanced budget, including updated assumptions.
- Impact of Tranche 2 on Reserves and Balances.
- The 5 year Capital Programme.
- The Risk Assessment
- The S151 Officers Robustness Statement
- Consultation Details.

The approved Tranche 1 Position including base assumptions.

3.3 It is important to set out the base assumptions under which the budget is constructed. These assumptions can then be stress tested for various scenarios to test the robustness of the overall budget. The Tranche 1 base assumptions were:

- Council Tax – Figures assume the full 1.99% allowable increase over all years of the 3 year MTFP. The Local plan has housing increases of 457 and 338 in the first two years of the MTFP. For prudence, at the moment it is assumed that increases of 200 and 150 over these years.
- Business Rates Increases – business rates assume growth based on Pooling with the other Districts and the County Council.
- New Homes Bonus/Government Grants – It is assumed that levels would be the same as previous years.
- Pension Fund assumptions takes account of the latest triennial valuation which was received in September 2022. It was noted that there is a significant risk is that the next revaluation will be actioned in 2026 and as such the 2026/7 figure could well change pending the outcome of that exercise.

3.4 The following “generic” pressures and savings were included in Tranche 1:

- The Pay Award is increased from 2% to 3% for 25/6. This would be an additional £154k cost.

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- Pension Fund Actuarial Triennial Revaluation. Although the fund continues to perform well we are concerned on the reducing numbers of live members in the scheme and so have included an amount from 2026/7 of £200k as a potential risk.
- Fees and Charges assumed an increase of 2%. However, given 50% of fees and charges costs link to staff costs and these possibly will increase at 5% for the 2024/5 financial year. Therefore, to keep pace this this increase of costs it is proposed that a 4% increase is made.
- The largest change however will link to upcoming Waste Requirements. The Council is required to implement these proposals from April 2026. The impact on Council budgets is significant in terms of both Revenue and Capital with an ongoing £950k revenue cost, £95K Capital costs and one off implementation costs of £100k.
- Bromsgrove School loses its Business Rates reliefs as part of the Budget. This relief of circa £500k would become part of the collection fund calculation with for planning purposes circa 50% coming to the Council and 50% going back to the Government.
- Additional Artrix Costs at £31k a year.
- Additional inflation of 5% on contract is included at 5% which is £90k.
- A review has been undertaken of Corporate Budgets (Council Tax/Business Rate, Investment Income and Debt) against expected numbers and due to a number of factors there is a positive position.
- The Council had 4% in to cover staff inflation in 2024/5. This pay award is now circa 5% and so this adjustment has also been made in the corporate budgets.

3.5 Departmental changes, due to contract pressures and demographics have also been taken into account. These departmental changes result in an overall £1.387m revenue pressure in the 2025/6 financial year and then £938k by 2027/8. The overall Tranche 1 Position is summarised in the following Two tables, the first taking account of “Corporate” issues, the second then adding on the “Departmental” issues.

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Year	2025/6 £000	2026/7 £000	2027/8 £000
Opening Position	8	7	7
Changes			
Increase Pay Award to 3%	154	154	154
Pension Revaluation (addn costs)		200	200
Increase Fees and Charges to 4%	-200	-200	-200
Increased Waste Interest costs	27	27	27
Increased Waste MRP costs		68	68
Waste Project costs (capitalised)		20	20
Increased Waste Revenue costs		950	950
School Business Rates	-250	-250	-250
Artrix Maximum Costs	31	31	31
Contract Inflation	90	90	90
Improvements in Corporate Budgets	-343	-393	-607
1% Additional 24/5 Payoll cost over Budget	154	154	154
Net additional Costs	-337	851	637
Updated Position	-329	858	644

Year	2025/6 £000	2026/7 £000	2027/8 £000
Position after Corporate Items	-329	858	644
Departmental Items	1,387	976	938
Position after Departmental Items	1,058	1,834	1,582

Table 1 Tranche 1 Position

- 3.6 At Tranche 1, there is a £1m deficit to be closed which rises to an ongoing £1.5m problem in 2027/8. £1m of this amount from 2026/7 onwards is linked to the impact of the changes to Waste Regulations.

The impact of the Local Government Settlement

- 3.7 The Chancellors Autumn Statement was made on the 30th October had the following impacts on Council budgets:
- A 3.2% real-terms increase in Core Spending Power (CSP) for the whole sector in 2025-26. This will include £1.3b additional grant funding, of which at least £600m will be directed to social care.
 - The Budget was silent on council tax referendum limits, but the DCN expectation is that referendum principles will stay at 2.99% for districts.
 - £233m new funding for homelessness prevention. This will be in addition to the £1.3b grant funding mentioned above.
 - £1b to extend the Household Support Fund and Discretionary Housing Payments into 2025-26.
 - £1.1b new funding through implementation of the Extended Producer Responsibility scheme for recycling.

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- Right to Buy: councils will be permanently allowed to retain 100% of receipts locally and discount levels will revert to pre-2012 levels from 21st November.
- Business Rates support to the retail, hospitality and Leisure sector, although it is not known the route of compensation yet for Councils.
- A £500m increase to the Affordable Homes Programme in 2025-26.
- UK Shared Prosperity Fund has been extended for 2025-26 at a reduced level of £900m, a 40% decrease on the current year. It is not yet clear whether this funding will continue.
- Employer national insurance (NI) contributions will increase by 1.2% to 15% from April 2025 but councils are expected to be reimbursed for this. The impact of this on Bromsgrove if this was not funded is £144k.
- The National Living Wage will increase by 6.7% to £12.21. Minimum wage for 18- to 20-yearolds will increase by 16% to £10 per hour.

3.8 The Provisional Local Government Settlement was made on the 18th December 2024. In that settlement the Councils Core Sending Power is unchanged at £13.42m. However, this zero increase in spending power masks a significant change in funding with Councils expected have a 2.99% increase in Council Tax to get to that Break Even position, with “Other Grants” reducing by a corresponding amount. As the Council, as other Councils, already assume, maximising Council Tax increases in their existing forward plans this is settlement with no inflation built in. This is reflected in the following table:

	2025/6	2024/5	Difference	Difference
	£m	£m	%	£m
Settlement Fund				
Assessment	2.02	1.983	1.9%	0.037
Assumed Council Tax	9.836	9.499	3.5%	0.337
Other Grants	1.564	1.937	-19.3%	-0.373
Settlement Control				
Totals	13.42	13.419	0.0%	0.001

Table 2 Local Government Settlement Figures

3.9 As set out in 3.7 above, the Government have however given specific targeted Grant Funding for a number of initiatives. This funding is single year, as Local Government Funding is being significantly changes for the 2026/7 settlement. However, the impacts on the Council for this targeted funding is:

- £700m additional grant funding – Bromsgrove has not received any additional Grant Funding.
- Council Tax in Tranche 2 will be increased from 1.99 to 2.99%.
- £233m additional Homelessness Prevention Grant. Bromsgrove has received £349k, which is £88k more than in reports discussed and approved in December.

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- £1.1b new funding through implementation of the Extended Producer Responsibility scheme for recycling. Bromsgrove has received £1,004k which is included in the Tranche 2 budget proposals.
- Right to Buy changes are not applicable for Bromsgrove.
- Business Rates support to the retail, hospitality and Leisure sector is expected to be neutral and Government Funded.
- UK Shared Prosperity Fund has been extended for 2025-26 at a reduced level of £900m. Bromsgrove has received £918k split Revenue £748k and Capital £170k.

3.10 In addition to those items set out above, following the World Climate Conference in December there are likely to be ongoing targets in this area. Councils have already declared “Climate Emergencies” and have challenging carbon reduction targets to deliver by 2030, 2040 and 2050. At the moment plans are within existing budgets, but as we move through the next three-year period there will be the requirement for the prioritisation of resources and approval of additional funding on a scheme by scheme basis. These will need to be taken account of in future budgets, although a significant part of this budget spend will be Capital in nature.

3.11 There are a number of other significant factors in looking at the 24/5 budget which are linked to the Local Government Finance Market. Presently:

- There are a number of Local Authorities who have now issued S114 Statements.
- Although Bromsgrove is now up to date with its accounts, these accounts have “Disclaimer Opinions” and it is likely that the Council will receive “Disclaimer Opinions” for at least the 23/4 and 24/5 Accounts. The ramifications of these “disclaimer Opinions” on the wider Local Government Sector and individual Councils is not clear. There will be circa 600 of these “Disclaimer Opinions” across English Councils.
- The Government Devolution Bill and the reorganisation of two tiered areas to unitary authorities by the end of this Government's first term. This will have significant impact on Worcestershire Councils.

3.12 Significant Grant levels not set out in 3.9 above are:

- Housing Benefit Administration Subsidy - £146,878
- Discretionary Housing Payments - £62,332
- Discretionary Housing Payments Administration - £11,114
- New Burdens Funding (UC) £2,770
- Revenue Support Grant £118,000
- New Homs Bonus £24,000
- Domestic Abuse Safe Accommodation Grant £36,000
- Funding Floor (formally Funding Guarantee) £1,111,000
- S31 Grant Funding for Business Rates Subsidy (RHL) will be base on the NNRA1 forms

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- National Insurance Contribution – The Final Local Government Settlement on the 3rd February allocated a sum of £0.1m. This is circa £200k less than the Councils requirements and this difference is reflected as an additional pressure.
- Housing Benefit Subsidy £11,192,229 (24/5 level – 25/6 level not known)
- Disabled Facilities Grant - £1,285,847 (up from £1,130,316) – Capital
- Capital DEFA allocation for Food Waste Bins/Vehicles £902,511 - Capital

3.13 As part of the Budget process the following reports have been approved in the January 2025 Cycle of meetings:

- The Council Tax Base for 2025/26.
- The final Council Tax Support Scheme for 2025/26.

The following reports linked to the budget were updated in the 2024/25 MTFP and have not changed since that time:

- The Discretionary Council Tax Reduction Policy.
- Council Tax – Empty Homes Discounts and Premiums.
- Non Domestic Rates – Discretionary Rates Relief Policy.

Council Strategic Priorities

3.14 The Leader and Cabinet, with the support of the Corporate Management Team, have updated the Councils Strategic Priorities and these have been approved by Council.

3.15 The final Council Plan provided an overarching vision for the District with the four new priorities as follows:

- Economic Development
- Housing
- Environment
- Infrastructure

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'We aspire to create a welcoming environment that prioritises quality of life, where residents and businesses feel a deep sense of belonging and connection.'



3.16 The council's vision, priorities and themes are connected using a 'green' thread:

"A green thread runs through the Council plan. Climate change and carbon reduction are key issues within the plan and the relevant measures identified to evaluate performance will help the Council to understand both activities and progress in this area".

3.17 Opportunities and Challenges highlighted in the plan include:

The opportunities include:

- The location of Bromsgrove for business; with Worcestershire, regionally and beyond.
- The entrepreneurial and community spirit within Bromsgrove District.
- Keeping businesses in the district when they grow.
- The amazing natural environment of the district.
- The creative options provided through new technologies to enhance our services and our customers experiences.

The challenges include:

- The ongoing financial challenge- to both the organisation but also our communities and residents through the real pressures presented by cost of living and the housing market.
- Continuing to support those who are most vulnerable, and manage the increasing costs.
- Keeping businesses in the District when they grow.
- Understanding the different community needs across the district
- The need for enhanced digital and physical connectivity.

3.18 The council cannot deliver all priorities on its own. In some cases, it can support, influence, or work collaboratively with other partner agencies to persuade them to take a particular course of action/undertake a particular

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project. Considerable support and input from partner organisations will be needed for priorities to be successfully achieved.

3.19 We talk in the Risk section about the impending Devolution of powers in Local Government and the setting up of Unitary Councils in existing 2 tier areas before the close of this Parliament. This will have a significant impact on the Council. In light of this, the Council is reviewing schemes that can be delivered and completed within the next three years to ensure that a legacy of a sustainable attractive Bromsgrove is transferred on vesting day with infrastructure and amenities reflecting stakeholder requirements to make a difference to the residents of Bromsgrove's lives. Initiatives under review for inclusion and approval following updated business cases are:

- Full funding of the 10 year play strategy agreed by Council in 2024 (only 5 years are in the present capital programme) including non-Council assets set out in that report.
- Bromsgrove Town Centre public realm – continuation of improvements on the high street, Church Street, Mill Lane, Worcester Road. Resurfacing, street furniture and lighting upgrade, and possible acquisitions to deliver further regeneration. C.£2m
- Rubery – high street design feasibility study to create central plaza/meeting space and reconfigure parking – c.£120k.
- Work in other centres although this will need to link with Parish Councils and un-Parished areas who also have responsibilities.
- Full programmes of litter bin replacement.
- Investment to upgrade our parks facilities.
- Investment in a new Depot to reflect differing needs for services and vehicles in the future.

Strategic Approach

3.20 The Council has come into the 2025/26 budget process with a number of conflicting issues. These include:

- An ongoing in year 2024/25 deficit at Q2 of a £344k to close.
- The requirement to fund future pay award which are circa 50% of costs. Over the past 3 years these pay awards have been significantly higher than "normal". Although nationally agreed, these have not been funded.
- Increases in Council Tax are limited at 2.99%, which is significantly lower than the present rates of inflation.
- The fact that Local Government Finance will change significantly in the 2025/6 settlement which is not known at the moment and which is multi year.
- That over the course of this Parliament all 2 tier areas, such as Worcestershire will be converted into Unitary Authorities.

3.21 The next section sets out the Tranche 2 position. In it the Council moves to a considered sustainable position over the 3 year planning period. One significant factor that has been taken account of is the fact that Local

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Government funding will change significantly in 2026/27 and so in this budget it is prudent to minimise any savings pending the upcoming funding review.

3.22 The level of reserves and balances presently held suggest that although significantly more is held than the suggested 5% recommended level for the General Fund, that any calls on this amount for a significant emergency situation would reduce levels by possibly 50%.

3.23 The Council must adapt how it operates to take advantage of customer requirements, technology, available resources, and the economic and environmental conditions to remain a sustainable viable organisation. To ensure this happens there will be the need for future investment, efficiencies and possibly the requirement to fund redundancy (both from reserves and balances).

3.24 As set out later in the Robustness Statement, in compiling Tranche 1 of the budget, assumptions were based on the best information held then. Issues the Council is facing are not unique, they are being faced by almost all Councils. Tranche 2 of the budget has adjusted for any funding that the Government will provide but primarily sets out other options to close the Tranche 1 deficit,

The final Tranche 2 three year balanced budget, including updated assumptions

3.25 The Council started Tranche 2 of the Budget with the following financial deficits to close:

Year	2025/6 £000	2026/7 £000	2027/8 £000
Position after Corporate Items	-329	858	644
Departmental Items	1,387	976	938
Position after Departmental Items	1,058	1,834	1,582

Table 3 Opening Tranche 2 Position

3.26 The financial settlement, as set out in paragraphs 3.9 and 3.10 above had no increase in overall funding and a number of areas of specific targeted funding:

3.27 The Council has assessed a number of other options to move to what it believes is a considered sustainable position over the 3 year planning period. This process has the following additional Income

- **Council Tax** – The Government expects as part of the Local Government Settlement for all Councils to increase Council Tax levels by the maximum 2.99%. The Council assumed a 1.99% increase in

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Tranche 1 and so this increases that level by £96k to come in line with Government expectations

- **Actuarial Changes from 2026.** Following a conversation with the new Actuary and the Worcestershire Treasurers at the end of November, expectations are now that in the 2026 Triennial Revaluation there will be minimal increases. This saves £150k
- ERP Funding Allocations – the Council have received £1,004k in ERP Funding. As per the table below, this will be allocated over the three year funding period with £250k allocated for specific marketing initiatives to move the initiative forward across all sectors.
- 24/25 Salary Adjustment – Now that actual salary increases have been allocated for 2024/25 as part of the December payroll, this savings can be made
- Capitalisation of Salaries – The Council should be allocating staff costs to capital projects. It has not done this in the past. At the moment an assumption of a 5% recharge has been made, – this needs to be sustainable over time. These capitalisation amount have been added to the capital programme.
- One Off Funding from the Finance Reserve. There are finance specific items in the departmental pressures that are one off in nature. These can be funded from the Earmarked Finance Reserve.
- Departmental Efficiencies – to balance the overall budget, there is the requirement for departmental efficiencies to be made. These are highlighted in the following table:

Service	Net Budget	Savings £250k
BDC Regulatory	384	7
Business Transformation & OD	1,874	36
Chief Exec	893	17
Housing and Community Services	1,182	23
Environmental Services	4,138	80
Finance & Customer Services	1,442	28
Legal & Democratic	1,111	21
Planning and Leisure	1,241	24
Regeneration and Property	726	14
Totals	12,991	250

Table 4 – Departmental Efficiencies

- Savings on the VM Ware Contract – it was expected that this contract would have a 10 fold increase with a change of supplier but in December we were able to limit the increase to a far smaller increase.

And the following additional costs

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- Replacement Bins – Bromsgrove are now the only Council in England with its type of Bin. This is limiting the options in the purchasing of the Refuse Fleet. There was a report that went to Cabinet on the 6th January setting out the issues.
- WRS Uplift for Inflation – these are the agreed increases approved at the WRS Board in November 2024.
- Local Government Settlement Costs – these now reflect the changes to funding in the 2025/26 Local Government Financial Settlement. The most significant is the £352k reduction in Government Grants.
- The Sunrise Project - The project focusses on supporting the most vulnerable and complex customers often known to organisations for repeat and reactive demands and identified as having a high level of contact with multiple partner agencies. The expenditure will improve the financial sustainability and health and wellbeing of residents, and in particular those more vulnerable residents. The project is tenure blind and includes the provision of access to courses to improve employment opportunities and quality of life.
- The Final Local Government Settlement on the 3rd February allocated the Council £0.1m for the National Insurance changes. This is £200k less than the Council’s requirements and this difference is shown now as a pressure.

3.28 The net effects of these changes is summarised in the table below. Overall there is a net £167k deficit in 2025/26, increasing to £1030k in 2026/27, before reducing to £399k in 2027/28. This is an overall call on general fund reserves of £1,596k.

Year	2025/6 £000	2026/7 £000	2027/8 £000
Position after Departmental Items	1,058	1,834	1,582
Additional 1% Council Tax	-96	-96	-96
Adjustment for Actuaries figures		-150	-150
Allocation of ERP Funding from Reserve		-335	-335
Updated ERP Adjustment	-100	-115	-115
Salary Adjustment 24/5	-150	-150	-150
Capitalisation at 2.5%	-375	-375	-375
Capitalisation to 5.00%	-375	-375	-375
Finance Reserve	-289		
CMT £250k Efficiencies	-250	-250	-250
VM Ware Contract Savings	-120	-120	-120
ERP Spend on Communications (TBC)	100	100	50
Replacement Bin Requirements	120	420	420
WRS Agreed Uplifts	29	29	29

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Increased Council Tax Budget	26	23	-307
Reduced Government Grant	352	352	352
The Sunrise Project	37	38	39
Further National Insurance requirement	200	200	200
Updated Totals	167	1,030	399

Additional Grant Allocations			
UK Shared Prosperity Fund - Revenue	748		
UK Shared Prosperity Fund - Capital	169		

ERP Allocation - 1 Year only to Reserve	1,004		
Local Plan – Green Belt Reviews	70		

Table 5 Tranche 2 Position

3.29 **Appendix A** sets out the Departmental Budgets.

Updated Fees and Charges

3.30 The Council has commercial rates it charges for its commercial Environmental Services Customers. These are set out in confidential **Appendix B**.

3.31 In addition, updated Worcestershire Regulatory Service Charges are set out for approval in **Appendix C**. These are increased in line with increases in the service across the County which are at the 4% level unless set by statute.

Impact of Tranche 2 on Reserves and Balances

3.32 The existing 24/25 MTFP saw general fund balances at a break even position over the three year planning moving the Council towards sustainability. In the 2023/24 budget, the Council was prudent and reviewed all its earmarked Reserves and reallocated a substantial amount to the General Fund and also a newly formed Utilities Reserve due to the significant pressure on budgets in that area. As we have moved into 2024/25 there have been additional inflationary pressures linked to significant unfunded nationally agreed staffing increases. This has been partly offset by the Utilities Reserves. Years 2 and 3 of this reserve are not now required and have been transferred to the General Fund to bolster its position.

3.33 The projected 2025/6 to 2027/7 position, at Tranche 1, had £3,050k of pressures to mitigate. This has been mitigated down in Tranche 2 to a £1,596k overall pressure over the three years with an ongoing issue of £399k a year to resolve in 2027/28 onwards. This is a slightly different approach to

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the previous two MTFP's where the Councils have moves to a "sustainable position" over the three year period but reflects that fact that Local Government will have a new 3 year settlement from the 2026/7 financial year and with those allocation methods only being consulted on in the Spring of 2025. It would not be prudent to balance the budget by reducing services when the new settlement might have those services as a priority area.

- 3.34 Presently, the General Fund sits at a value of £12.781 (taking account of the Tranche 2 position) at the 31st March 2028. This sum is over 25% of gross expenditure and significantly above the 5% benchmark quoted by the Government a being a minimum requirement. If Housing Benefit payments, which are passported through the Council are ignored than this percentage rises to over 30% of expenditure.
- 3.35 The Council has now closed its accounts up to the 2022/23 financial year and has received "Disclaimer Opinions" for those three years. Because those years are now closed there is certainty over the Earmarked Reserve balances which at the 31st March 2028 sit at a value of £9.484m.
- 3.36 This Earmarked Reserves level of £9.484m assumes that all Ward budgets are funded from the Financial Services Reserve.
- 3.37 Specific Reserves will be set up for the following purposes
- £100K for a review of the Property function
 - An ERP Reserve of £1,004K to transfer the grant funding for ERP schemes and release it over the three year MTFP period.

The detailed position in respect of Reserves is set out in **Appendix D**.

The 5 Year Capital Programme

- 3.38 The Council over the past number of years has not spent its capital programme allocations in year. A review has been carried out of
- All schemes that have not started (both from 23/24 and from previous years)
 - Schemes that have started
- To assess deliverability and links to revised strategic priorities.
- 3.39 Present rationale is for any scheme not yet started (unless grant or S106 funded) to rebid for funds as part of the 2025/26 budget process. The Summary Capital Programme is set out in the following Table:

Table 6 Summary Capital Programme

- 3.40 The priority in capital terms is for the Council to spend its grant funding. It has the following:

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Year	Total Programme	Revised Total	Council Funded	Grant Funded
2024/5	6,376,987	21,267,936	10,996,671	10,271,265
Carry Fwd	14,890,949			
2025/6	17,351,727		8,017,369	9,334,358
2026/7	3,222,841		2,422,841	800,000
2027/8	2,469,459		1,669,459	800,000
2028/9	2,310,531		1,510,531	800,000
2029/30	2,373,749		1,573,749	800,000

Table 6 Capital Programme

- Levelling Up of £16.1m (£14.5m Grant, £1.6m Council) which now needs to be spent by the 30th September 2025 (being the Market Hall Scheme)
- UK Shared Prosperity Funding of £918k for 2025/26 – which is one year only funding.

3.41 **Appendix E** sets out the present capital programme to be agreed.

3.42 The following are the changes between what was presented in Tranche 1 and the present:

- The items carried forward from 2023/24 to 2024/25 have been fully reviewed and updated as part of the Closure of Accounts 2023/24 process.
- The requirement of a firewall for Parkside at £9,750 has been integrated into the programme.
- The requirement for an additional £25k a year for laptops for new starters has also been integrated into the programme.
- The Market Hall redevelopment has been reprofiled and overall shows a £1.4m deficit, which presently is being funded by the Council.
- The requirement to replace the Wheely Bin fleet has been added at a cost of £2.2m as per the Cabinet Report of the 6th January 2025.
- Updated funding for 2025/6 has been added for both UKSPF and DFG Budgets.
- The Government funding for the new Food Waste Service (Vehicles and Containers) has been added at £902k. This is still over £500k short of our overall requirement.
- The updated play audit implementation profile from the December 2024 report has been added – no change was required for the revenue funding assumptions.
- Inclusion of the capitalisation of salaries.

3.43 The significant Council spending continues to be the Fleet Replacement Programme although it is slipping into the future as we await the Government's final Environment Bill and confirmation of the type of vehicles required after 2030.

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- 3.44 The Council is undertaking a review of all its assets, linked to the requirement of Council buildings to be at Level C Energy Efficiency. A report is expected early in 2025 setting the Councils fixed asset approach.
- 3.45 The Capital Programme is very closely linked to the Asset Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Asset Investment Strategy. These Strategies set out how the Council can invest and borrow funds and to whom. They are set out in **Appendices F, G, H and I**. These Strategies have been reviewed by the Audit, Standards and Governance Committee in January 2024.

The Risk Assessment

- 3.46 As set out in this Report we are budgeting in a time of extreme uncertainty:
- There having been a change of National Government and this being their first year of being the administration since 2010.
 - The 2025/6 Local Government Financial Settlement is only for one year and overall have a £352k reduction in central grants.
 - There will be a new financial settlement formula in 2026/7, which will be for three years, but the make-up of this settlement formula will only start to be consulted on in the spring of 2025.
 - The Government have also announced significant reorganisation of the Local Government Sector with Worcestershire which is 2 tier moving to a Unitary setup by the end of this Parliament. At the present time, the format of Unitary Councils in Worcestershire is unclear as are the rules in relation to use of Reserves and Balances in the intermediate period and the obvious impact on the Councils Staff, Members and present Stakeholders.
 - The status of Councils with “Disclaimer Opinions” on their accounts. It is understood there will be over 500 of these opinions across English Councils.
 - The ongoing issue of Funding, with the care element of Local Government taking more over the “overall” resource pot on a yearly basis leaving less for other services we provide to the public.
- 3.47 As per the Risk Reports that are reported to Audit, Governance and Standards and Committee there are the following specific Risks linked to finance:
- Resolution of the approved budget position.
 - Financial process rectification (in relation to the 2020/21 Accounts and subsequent years not being approved – which is close to some sort of resolution with the “Disclaimer Opinions”).
 - Decisions made to address financial pressures and implementing new projects that are not informed by robust data and evidence.
 - Adequate workforce planning.

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- 3.48 In addition, in this time of uncertainty the Council will also need to embed a new Chief Executive and Deputy Chief Executive/Director of Resources, both of whom have been appointed in January 2025 and will start after their respective notice periods.
- 3.49 There are the core risks of implementation of any Council financial plan in that:
- Any savings proposal must pass the S151 Officers tests for robustness and delivery. If items are not deliverable or amounts not obtainable, they cannot be included.
 - Implementation of savings to time and budget – there must be full implementation processes documented to ensure implementation within timescales.
 - Non delivery is a high risk - Savings are tracked and reviewed on a quarterly basis at the Audit Standards and Governance Committee to ensure implementation happens based on the plans and the assumptions will become part of the Council's core processes.
 - Loss of key personnel will be crucial, especially given the impending Local Government Reorganisation and mitigation plans will need to be drawn up which in themselves will require resources to administer and deliver.
 - Change of corporate direction/priorities given the upcoming changes in the sector.

The S151 Officers Robustness Statement

- 3.50 For Tranche 2, the opinion of the Interim Director of Finance is that the risks contained in the 2025/26 budget estimates have been minimised as far as is possible.
- 3.51 In the past two years the Council have moved to the delivery of sustainable budgets however these have been impacted by three years of Pay Awards far in excess to those ever seen in Local Government. This, given the fact that staffing costs are approaching 50% of overall costs, has had a significant impact on council budgets over this period leading to in year overspend positions and has required subsequent mitigation in following years budgets.
- 3.52 Although inflation is reducing in the UK, given wider economic events and changes in other countries Governments and the move to more nationalistic policies it is not clear if inflation in particular will move back to being consistently within the Government's 2% target. This impacts Council costs but also those who have the requirement to use our services.
- 3.53 Employee budgets are almost 50% of the Council's costs. Over the past 18 months there has been a significant move to fill establishment positions. However, the Council is still running at levels of vacancy of around 100

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against an overall joint establishment of 850 and using considerable agency resource to ensure services are maintained. This attracts additional short term cost and the Workforce Strategy, implemented in 2023, is starting to mitigate this. This is shown in the Councils staff turnover figure being 50% of the National average at just over 7%. However, this remains the most significant financial risk to the Council.

- 3.54 The next most significant financial risk was the fact that that the Council had not been able to present its 20/21, 21/22 and 22/23 Accounts for Audit, and the possible inaccuracy of opening balances used in budgetary data. These three years have now been completed under the new “backstop” regulations, but because of the national audit Issues the Council has received “Disclaimer Opinions” for all three years. There are circa 500 of these opinions for English Councils and it is not clear of the implications of this on Councils and the wider sector. What the closure process has highlighted, now it has been completed for these years, is that the Council is in a stronger position in terms of reserves than was the started position. The 2023/4 Accounts have also now been completed and presented for Audit within the new “Backstop” requirements.
- 3.55 The revenue budget and capital programme have been formulated having regard to several factors including:
- Funding Available.
 - Inflation.
 - Risks and Uncertainties.
 - Priorities.
 - Service Pressures.
 - Commercial Opportunities.
 - Operating in a Post C-19 environment.
- 3.56 The MTFP highlights that the current financial position has moved, following the Local Government Settlement, to a position of requiring £1.596m of funding from General Fund Reserves over the three year period. This is a departure from the previous two years where the Council has tried to move to a more ongoing sustainable position. The reason for this movement in the short term is that
- In year three 2027/28, the ongoing deficit to close going forward is £399k.
 - That the Local Government Financial Settlement methodology will significantly change in 2026/27, and it would not be sensible to make savings where those services might need to be re-instated.
 - That the general fund will still be at a strong level – at £12.781m after allowing for this support which is well above 25% of gross turnover.
- 3.57 The Council has reviewed the Councils position in line with the CIPFA Resilience Index. The data for the resilience index is obtained from the Revenue Expenditure and Financing England Outturn Report 2023-24 ('RO Forms') and reflects figures submitted by Local Authorities to MHCLG,

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published on 12 December 2024. The Council in comparison to its nearest neighbours and levels of risk:

- Has lower risk in terms of levels of reserves, interest payable, levels of debt, and growth being above the baseline.
- Has a slightly higher than average fees and charges to Services expenditure ratio.

This reflects that fact that the Council has no long terms debt and reasonable levels of General Fund and Earmarked Reserves. With fees and charges, these are the only real avenue to revenue increases given the limits on Council Tax rises.

- 3.58 In line with Section 25 of the Local Government Act 2003, this report of the Chief Financial Officer (CFO) sets out the robustness of estimates included in the budget and the adequacy of the Council's reserves.

The Chief Financial Officer's opinion is that the estimates are robust

- 3.59 Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.
- 3.60 The two tranche 2025/26 budget process has ensured that all budget assumptions have been reviewed and reconsidered by Officers, and then Members, through the Finance and Budget Scrutiny Working Group, Cabinet and Council.
- 3.61 The budget has a £1.596m call on General Fund Reserves over the three year period but by year 3 does start to move to a more sustainable position. More work will need to be done to embed changes to ensure financial sustainability is embedded across the organisation, especially with the change coming forward for Local Government in terms of Funding and Structure.

Adequacy of Reserves

- 3.62 Budget and MFTP proposals forecast the level of General Fund balances at £12.781m as at 31st March 2028 which is over five times the recommended 5% of net level as set out in the Reserves section.
- 3.63 The present positive medium term financial position, takes into account the updated position in terms of accounts now being closed to the 2023/24 financial year however the "Disclaimer Opinions" still give the potential of possible issues with Opening Balances. It is prudent for the Council to build reserves as they are the Council's single source of funding for business change initiatives.
- 3.64 Further work will be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are

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therefore in place to continue to review budgets and identify and accelerate further savings opportunities.

Collection Fund and Precepts

- 3.65 The Council Tax collection fund is anticipated to be in surplus based on December data by £0.595m, which will be distributed amongst the major preceptors using the prescribed formulae. The Council's share of the surplus payable as a one-off sum in the following financial year 13% of the total which amounts to £76k.
- 3.66 Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 3rd February. This will enable the Council to set the Council Tax on 19th February 2025. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Council on 19th February.

Consultation Details

- 3.67 The Council has consulted on its Tranche 1 budget. This budget consultation opened on Thu 5 December 2024. An email invite was sent to the Bromsgrove Community Panel. The survey was also promoted on a variety of social media channels. The survey closed at 12noon on Thursday 2 January 2025.
- 3.68 The response rate for the community panel was 48%. There were a total of 278 valid responses received.
- 3.69 Question 16 gives the splits of Age Ranges of the people who filled out the questionnaire. The vast majority were over 50.
- 3.70 The survey asked respondents to rank the three most important services they felt the Council should invest in. These were:
- Local Economic Development and Employment (47.1% of respondents).
 - Community Safety (44.6.% of respondents).
 - Maintenance of the Landscape and Environment (43.8.% of respondents)
- 3.71 6 questions had responses well over 50% agreeing or strongly agreeing, and only two had responses lower than 50% - these being
- Do you agree that the Council should invest more in our front-line services to cover increases in fuel at a 49.6% approval rate.
 - Do you support fees and charges (this excludes parking) rising by 4% to keep them in line with inflation and rising staffing costs at a 40.2% approval rate.

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- 3.72 The highest approval rating, at 86.2% was the question - Do you agree that the Council should invest in economic development in order to support local businesses, start-ups, the town and local centres and to prioritise local skills.
- 3.73 Two further questions were asked on what level of increase to Bromsgrove District Council's proportion of Council Tax do you support?
- 61.5% agreed of strongly agreed with a 1.99% increase.
 - This dropped to 45.8% at 2.99%.
- 3.74 There were 2 free test questions:
- Please let us know your suggestions for investing in the district to increase prosperity and enhance appeal for residents and businesses alike?
 - There were 178 responses to this question.
 - Responses to this question provided many suggestions and comments regarding the district. The top three themes were Bromsgrove Town Centre, supporting businesses and the importance of infrastructure, from roads to public transport. These themes had many cross overs, from the impact of traffic, encouraging a diverse range of businesses into the town and reducing costs to visitors and businesses alike.
 - Suggestions included:
 - Reducing business rates / relief
 - Reducing parking costs
 - Supporting independent retailers
 - Bringing in key major retailers
 - Understanding offer on High Street- too many charity shops, cafes, hair & vaping businesses
 - Utilise empty shops- for small businesses, new start-ups, housing, community use
 - Improve the market- quality, offer, number of days
 - Make the town vibrant, attractive & distinctive- develop attractions, encourage visitors
 - Improve the appearance & maintenance of the high street
 - Improved public transport
 - Support active travel
 - Access grants wherever possible
 - Ensure a district-wide view
 -
 - Please let us know any other comments on the budget or ideas for reducing costs or increasing income to ensure Council services remain sustainable?
 - There were 118 responses to this questions.
 - Of the responses to this question, the largest category fell into the theme of efficiency and value for money. Other themes included

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infrastructure, focusing on those in need, ensuring transparency and accountability asset utilisation, and the town centre.

- Suggestions included:
 - Reviewing salaries
 - Ensuring right skills within the council
 - Outsource some functions
 - Explore alternative methods of delivery e.g. co-operatives, partnerships
 - Reduce use of consultants
 - Review fees & charges
 - Commercial opportunities e.g. logs, compost or specific services
 - Turn off lights / utilise smart sensors
 - Reduce events
 - Promote events better to increase revenue
 - Community use of buildings
 - Energy generation e.g. solar panels in car parks
 - Convert buildings into housing e.g. multi-storey by Asda
 - Increase enforcement fines e.g. fly tipping & littering
 - Support the voluntary sector
 - Reducing business rates / relief
 - Review council tax
 - Better coordination around highways and roadworks

3.75 The consultation spreadsheet sets out the overall summary and a breakdown by question is shown as **Appendix H**.

3.76 Tranche Two of the budget will be consulted on following its publication on the 4th February. Any comments will be fed into Cabinet and Council on the 19th February 2025.

3.77 The Council will raise awareness of the budget proposals via use of social media.

4. IMPLICATIONS

Financial Implications

4.1 Financial implications are set out in Section 3.

Legal Implications

4.2 A number of statutes governing the provision of services covered by this report contain express powers or duties to charge for services. Where an express power to charge does not exist the Council has the power under Section 111 of the Local Government Act 1972 to charge where the activity is

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incidental or conducive to or calculated to facilitate the Council's statutory function.

Service / Operational Implications

- 4.3 Monitoring will be undertaken to ensure that income targets are achieved through the Quarterly Finance and Performance Reports to Cabinet and the Quarterly Savings Reports to Audit Standards and Governance Committee.

Customer / Equalities and Diversity Implications

- 4.4 The implementation of the revised fees and charges will be notified in advance to the customer to ensure that all users are aware of the new charges and any concessions available to them.
- 4.5 Initial Equalities Impact Assessments must be taken where required. None have been required with this budget.

5. RISK MANAGEMENT

- 5.1 It is crucial that the Councils sets a balanced budget in order for it to deliver sustainable services to its Stakeholders. There are significant risks in any budget and these are set out in sections 3.44 to 3.47.
- 5.2 There is a risk that if fees and charges are not increased that income levels will not be achieved, and the cost of services will increase. This is mitigated by managers reviewing their fees and charges annually.

6. APPENDICES

Appendix A – Budgets by Department
Appendix B – Environmental Services Commercial Fees & Charges (**Exempt**)
Appendix C – Worcestershire Regulatory Services Fees & Charges
Appendix D – Reserves
Appendix E – 5 Year Capital Programme
Appendix F – 2025/6 Capital Strategy
Appendix G – 2025/6 Treasury Management Strategy
Appendix H– 2025/6 MRP Statement
Appendix I– 2025/6 Investment Strategy
Appendix J – Consultation Breakdown

6. BACKGROUND PAPERS

None.

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Appendix A – Budgets by Department

To Follow – being updated for NI changes following Government Advice in Final Local Government Settlement on the 3rd February 2025