

BROMSGROVE DISTRICT COUNCIL

Cabinet 10 September 2025

Budget Setting proposal

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| Relevant Portfolio Holder | Councillor Sue Baxter Portfolio Holder for Finance |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Debra Goodall |
| Report Author | Job Title: Bob Watson. Deputy Chief Executive and Chief Finance Officer bob.watson@bromsgroveandredditch.gov.uk Contact telephone: 07990 840078 |
| 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 to set the annual budget for 2026/27 and for the Medium-Term Financial Plan (MTFP) up to financial year 2028/29.

Whereas this budget process will present some financial challenges, it is the intention of the administration that there will be no reduction in services to residents and businesses over the Medium-Term Plan period.

2. RECOMMENDATIONS

Cabinet are asked to Resolve that:

- That the budget process outlined in this report is followed for the 2026/27 annual budget and for the Medium-Term Financial Plan up to 2028/29.

3. KEY ISSUES

Financial Position

- 3.1 The next Budget to be set will be the 2026/7 to 2028/9 Medium Term Financial Plan (MTFP). In contrast to previous years, where the budget was presented to Council once before the financial settlement and then confirmed at full budget Council in February, it is proposed that whereas all committees and Cabinet are involved in the process with opportunity for scrutiny, review and challenge the final budget will only be presented to

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Council in February at the formal budget Council meeting – this will not reduce the amount of governance and review of the programme, which includes officer budget challenge sessions at different stages to add rigor to the process of building the budget. The previous two-stage process was introduced whilst the Council stabilised its accounts, this has now completed, and the revised timetable is more in keeping with recognised practice across the sector.

3.2 This report will set out, in revenue terms

- The budget setting timetable for this Council.
- Budget assumptions for the 2026-27 annual budget.
- Present risks, issues and concerns that will need to be addressed in the budget.
- The provisional impact of the Fairer Funding Review.

Proposed Budget Timetable

3.3 The following is the proposed budget timetable for 2026/27:

2025

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|------------|---|
| 11 Aug | Budget Setting proposal to Senior Leadership Team (SLT) |
| 1 Sep | Budget Setting proposal approved by CWG |
| 10 Sep | Budget Setting proposal approved at Cabinet |
| During Oct | Check and Challenge meetings with Assistant Directors with Senior Leadership team |
| Late Oct | Chancellor's budget statement (date not yet announced) |
| 27 Oct | Budget update including provisional budget and fees and charges to SLT |
| 5 Nov | Budget update including provisional budget and fees and charges approved at CWG |
| w/c 5 Nov | 'Star chamber' review of discretionary growth and service efficiencies (tbc) |
| 17/18 Nov | Finance and Budget Working Group/Overview and Scrutiny review provisional budget and fees and charges |
| 19 Nov | Provisional Budget and Fees & Charges approved for consultation by Cabinet |

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- 8 Dec Provisional Budget and Fees & Charges Consultation Responses/Updates to SLT
- 10 Dec Provisional Budget and Fees & Charges Consultation Responses/Updates reviewed by CWG
- w/c 15 Dec Multi-year provisional Local Government Settlement expected

2026

- 5 Jan Budget approved by SLT
- 5 Jan Budget review by Finance and Budget Working Group
- 6 Jan Budget review by Overview and Scrutiny Committee
- 14 Jan Final budget approved by CWG
- 6 Feb Final budget review by Finance and Budget Working Group
- w/c 2 Feb Local Government Finance Settlement confirmed (may be w/c 9 Feb)
- 10 Feb Final budget review by Overview and Scrutiny
- 11 Feb Budget approved by Cabinet
- 18 Feb Budget and Council Tax Resolution approved by Council

Budget assumptions for the 2026-27 annual budget

- 3.4 The base assumptions to be used in developing the budget are:
- 3.4.1 Pay Award for next year will be budgeted at 2% in line with the HMT inflationary targets.
- 3.4.2 There will also be an additional 1% cost of living increment built in as contingency in the case of a higher than budgeted pay settlement.
- 3.4.3 Controllable Fees and Charges income will be uplifted by 2% - services will need to review and set their fees and Charges accordingly.
- 3.4.4 Council Tax – it is assumed that Council tax will be increased in line with Government assumptions on Core Spending Power (CSP) which will mean increases just below the referendum limit over all years of the MTFP. It is

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expected that the referendum limit for district councils will be at the greater of £5 cash terms or less than 3%.

- 3.4.5 Core Spending Power assessment by the government assumes that no councils will be worse off in real terms, but previously the contained assumption of a maximum allowable increase in Council Tax has been offset by reductions in formula grant, meaning that the spending power of the Council remained flat, even though there was an increase in Council Tax. It is assumed that this will be the situation going forward due to Fairer Funding reform and Local Government Reorganisation.
- 3.4.6 CSP will assume a 1% increase in tax base – this is what will be used for the budget setting until exact figures are known (normally before the provisional settlement).
- 3.4.7 Due to an impending business rates reset, it is prudent to assume no growth in the base funding for business rates.
- 3.4.8 The impact of the fairer funding (FF2.0) review (see para 3.7 below) is estimated at this stage to be a reduction in support grant and retained business rates of £1.2 million.
- 3.4.9 Unavoidable growth from legal contracts and new burden pressures will be included in the first iteration of the budget.
- 3.4.10 Where supplementary estimates during the current financial year (2025/26) have been agreed by Council, and where these have an impact on future base budgets, these will be captured and listed as unavoidable growth previously agreed and included in the base budgets.
- 3.4.11 Government Grants and New Homes Bonus – it is anticipated that these will either be abolished under FF2.0 or rolled into the funding-formula revenue support grant (RSG) and it is assumed that unless notified differently, these grants will not be separate items from next year onwards.
- 3.4.12 The Council will consider all options to mitigate the impact on services to residents of reduced funding during this budget cycle. This will include consideration of full recovery of income and increasing statutory fees and charges in line with the government permitted levels; efficiencies in services with no impact on service delivery (for example, where previous budgets have not been used on a regular basis) and permitted use of reserves to smooth the impact of funding reductions on the local tax account.

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Present risks, issues and concerns that will need to be addressed in the budget.

- 3.5 The following are risks that will need to be considered in the formulation of this year's budget:
- 3.5.1 The actual 2025/26 pay award was 3.2% which was 0.2% above the assumption built in at budget setting. This pressure will be contained within year but will be an additional budget uplift when setting the base for 2026/27.
 - 3.5.2 It is likely that any nationally agreed pay award for 2026/27 may be above the budget estimate of 2%. A contingency sum is included (see 3.4.2).
 - 3.5.3 Is the taxbase growth assumed as part of the CSP assessment correct? This will be clearer once the tax base calculation has been worked out.
 - 3.5.4 Have previous years' base budget efficiencies and savings been delivered? If not this is an immediate pressure on the budget.
 - 3.5.5 During the current financial year it is anticipated that there will be some budget adjustments as the finance team continues to load budgets into the correct place on the ledger. This work may have to carry on into the base budgets for 2026/27.
- 3.6 The following are opportunities that should be considered in the formulation of this year's budget:
- 3.6.1 Can Fees and Charges move up by more than 2%?
 - 3.6.2 Is there any opportunity around reducing secondary pension costs – dependent on the actuarial valuation?
 - 3.6.3 Will increases in planning numbers increase Council Tax Base numbers in the MTFP time period?

The provisional impact of the Fairer Funding Review.

- 3.7 The Government has announced the long-anticipated fairer funding review. The consultation deadline for Consultation responses was 15 August and this Council submitted a detailed response. It is expected that the outcome of the consultation and thus the eventual Fairer Funding 2.0 (FF2.0) will be in time for the provisional financial settlement in December, but it is likely to inform in some way the MHCLG response to the Autumn budget this year.

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- 3.8 In light of the government proposals being consulted on the Council has commissioned a review by LGFutures on the anticipated impact of the FF2.0. This estimates the impact for this Council to be about some £1.2 million reduction in government funding, primarily determined by the assessment of deprivation within the District. This equates to one-fifth of the previous government support to the Council, which will increase the Council's reliance on Council tax receipts, which is why the Council's Chief Finance Officer strongly recommends taking the maximum allowable increase in the Council Tax precept without triggering a referendum.
- 3.9 The government has hinted at a three-year phasing of the reduction, but this is neither confirmed as happening nor the format of any phasing.

Council tax reform and business rates reset

- 3.10 Also whilst considering the Fairer Funding the Government has indicated that it is considering reviewing how council tax is assessed and determined. There is potential that the government will overhaul the current system of Council tax bands with consideration of the valuation of dwellings.
- 3.11 The government has also indicated that the business rate baseline will be reset; essentially removing the benefit of any growth in business rates to the Council that has accrued since the previous reset. Therefore no business rate growth has been assumed in the next year's budget, nor for the remainder of the MTFP period.
- 3.12 At this point in time, there has been no indication of any transitional reliefs for any of the topics discussed above.

4. Legal Implications

- 4.1 The Council is required to set a balanced budget each year. Prudent use of reserves to smooth the impact on the local tax-payer is permitted.

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.

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Climate Change Implications

- 5.2 The green thread runs through the Council plan. Every report has potential financial implications and these in turn 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 Any reductions in services to residents as a result of the budget will have to be subject to their own equalities impact assessments.

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. Services are responsible for the delivery of any savings and efficiencies mandated by the approved budget.

Local Government Reorganisation

- 6.3 It should be noted that if the proposed vesting day for Local Government Reorganisation (LGR) is 1 April 2028, then the profile for the last year will change; there will undoubtedly be legacy work, but this will be covered by any new authority. Therefore the forecast budget for 2028/29 should be considered as a 'continuity and contingency budget' in the case of any delay to the LGR programme.

7. RISK MANAGEMENT

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

8. APPENDICES

None

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