

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

Budget Planning 2025-6 Report

Relevant Portfolio Holder	Councillor Ian Woodall, 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 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

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 Terms Financial Plan process

2. RECOMMENDATIONS

Executive are asked to Resolve that:

- **The 2 Phase Budget Process is again followed for the 2025/26 to 2027/28 MTFP:**

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 29th July.
- 2) The 2 Phase timetable for both Councils.
- 3) The approved Starting Points for the 2025/26 Budget.
- 4) Present Risks and issues that will need to be addressed in the budget.

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

National Impacts of the Chancellors Statement on the 29th July

- 3.2 The new Chancellors Initial Statement was made on the 29th 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.
 - Changes to Planning Numbers and planning legislation.
- 3.4 **Chancellor of the Exchequer Rachel Reeves has set the date of Labour's first Budget for Wednesday 30 October, and has indicated some areas where the axe will fall in order to plug a £22bn black hole in the government's accounts.**
- 3.5 Labour has pledged not to put up income tax or National Insurance rates, but confirmed to *The News Agents* podcast on 30 July that they will have to increase some taxes in the Budget. However, when pressed on the matter, The Chancellor would not confirm what taxes would be raised.
- 3.6 Here are the changes announced so far and the 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.

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

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

- 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 There are some of the rumours circulating about other announcements that could be made by the Chancellor later this year. These 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 is 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.

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

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 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 is considering hiking 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 by the Conservative government in the Spring Budget 2024.

Proposed 2 Phase Budget Timetable

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

7th August – Initial Budget Setting Report to CMT

20th August – Initial Budget Setting Report approved by PHB

3rd September – Initial Budget Setting Report Discussed at Executive

29th October – Chancellors Statement

30th October – Phase 1 Budget and Fees and Charges to CMT

12th November - Phase 1 Budget and Fees & Charges approved at PHB

26th November – Phase 1 Budget and Fees & Charges approved for Consultation by Executive

12th December – Phase 1 Budget and Fees & Charges Consultation Responses/Updates at PHB

18th December – Estimated Provisional Local Government Settlement Date

14th January - Phase 1 Budget and Fees & Charges approved by Executive

8th January – Phase 2 Budget approved by CMT

21st January – Phase 2 Budget approved by PHB

27th January – Phase 1 Budget and Fees & Charges Approved by Council

4th February – Phase 2 Budget approved by Executive

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

24th February – Phase 2 Budget and Council Tax Resolution approved by Council
Approved Starting Points for 2025/6 Budget

3.19 The Redditch 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%
- 3) Council Tax – Figures assume the full 1.99% allowable increase overall years of the 3-year MTFP. The Local plan has no housing increases in the three years of the MTFP.
- 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

	£000	£000	£000	£000
Base Budget Position 22/23 MTFP				
Expenditure	10,290	10,428	10,661	10,661
Funding	-9,341	-9,595	-9,621	-9,621
Net	949	833	1,040	1,040
Revised Gap	949	833	1,040	1,040
Phase 1 Savings 2023/24 MTFP	-1,529	-1,849	-2,221	-2,221
Revised Position	-580	-1,016	-1,181	-1,181
Phase 1 Pressures 2023/24 MTFP	2,319	2,324	2,446	2,446
Phase 1 2023/24 MTFP Position	1,739	1,308	1,265	1,265
Local Government Settlement	-934	-700	-700	-700
Additional Savings (Phase 2)	-1,060	-1,060	-1,060	-1,060
Additional Pressures - Phase 2	566	519	432	432
Final 2023/24 MTFP Position	311	67	-63	-63
Known Changes				
23/4 Pay Award - 5% More than planned		575	575	575
Utilities Increases running at 60% - 40% Savings		-228	-228	-228
Existing Inflation Budget (unallocated)		-269	-274	-274
Inflation on Contracts - additional 5%		125	125	125
Additional 1% on 24/5 Pay Award - to 3%		100	100	100
Additional 2% pay Award for 2026/7				200
7% addition on Fees and charges		-238	-241	-243
Draft Opening Position 24/25	311	132	-6	192
Possible Adjustments				
Quarter 1 23/4 Overspend position	557			
Use of 23/4 Utilities Reserve	-557			
2% Council Tax 2025/6			-144	-144
2% Council Tax 2026/7				-147
Year 2 Fees and Charges Increase at 2%			-69	-71
Year 3 Fees and Charges Increase at 2%				-74
Government Grant at 23/4 Levels		-148	-148	-148
Draft Opening Position	311	-16	-367	-391
Service Adjustments				
Reduction in Benefits Overpayments Target		200	200	200
Use of HVO Fuel by 100% of Fleet		20	20	20
Increase in HR Establishment		10	10	10
PRA Housing Licence Costs		15	15	15
Garden Waste Service		20	-27	-56
Interest Charges on Updated Capital Programme		82	102	121
MRP Increases on Capital Programme		22	140	153
Revised Tranche 1 Position	311	353	93	72
Council Tax - Increase to 3%		-67	-67	-67
Planning Income (Base Budget £240k) at 25%		-60	-60	-60
22/23 Pay Award		-100	-100	-100
Actual Impact on budgets of Pay Award		-150	-150	-150
WRS Additional Food Safety		40	40	40
Planning and Environmental Enforcement		45	45	45
Play Audit - Revenue Implications		10	30	50
Housing Strategy Service		71	71	71
NWedR Structure		73	73	73
Changes in other Central Grants		-244	-140	-140
Updated Position Tranche 2		-29	-165	-166

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

3.20 Note that on the 29th July, the Labour administration reduced the balances by approving a Market, changes to Dial a Ride and updates to the Crematorium by £81k a year. This would reduce the surplus budget agreed in the 2024/5 budget by the following amounts

- 2024/5 £105k surplus reduces to a £24k surplus.
- 2025/6 £97k surplus reduces to a £16k surplus.
- 2026/7 £98k surplus reduces to a £17k surplus.

Present Risks and issues that will need to be addressed in the respective budgets

3.21 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?
- 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?
- What is the risk at Redditch on the Town Hall savings?
- 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

REDDITCH BOROUGH COUNCIL

Executive 3rd September 2024

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 to input into the MTFP and to ensure actions are in place to mitigate any overspends in future years.

7. RISK MANAGEMENT

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

8. APPENDENCES

None

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