

REDDITCH BOROUGH COUNCIL

Executive 2 September 2025

Budget Setting proposal

Relevant Portfolio Holder	Councillor Ian Woodall Portfolio Holder for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
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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.	

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.

Note 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.

2. RECOMMENDATIONS

The Executive Committee 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 the Executive Committee are involved in the

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process with opportunity for scrutiny, review and challenge, the budget will only be presented to Council in February at the formal budget Council meeting. This is designed to reduce the workload on both Councillors and the officer finance team without compromising governance; it is a reflection of the number of additional Council meetings that have been introduced this year regarding Local Government Reorganisation (LGR).

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

11 Aug	Budget Setting proposal to Senior Leadership Team (SLT)
19 Aug	Budget Setting proposal considered at the Executive Briefing
28 Aug	Budget Setting proposal presented to Budget Scrutiny Working Group
2 Sep	Budget Setting proposal approved at Executive Committee
Late Oct	Chancellor's budget statement (date not yet announced)
27 Oct	Budget update including provisional budget and fees and charges to SLT
11 Nov	Budget update including provisional budget and fees and charges approved at Executive Briefing
20/24 Nov	Budget Scrutiny Working Group/Overview and Scrutiny Committee review provisional budget and fees and charges
25 Nov	Provisional Budget and Fees & Charges approved for consultation by Executive
8 Dec	Provisional Budget and Fees & Charges Consultation Responses/Updates to SLT
9 Dec	Provisional Budget and Fees & Charges Consultation Responses/Updates reviewed by Executive Briefing

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w/c 15 Dec Multi-year provisional Local Government Settlement expected

2026

5 Jan Budget approved by SLT

22 Jan Budget considered by Executive Briefing

3 Feb Budget review by Budget Scrutiny Working Group

w/c 2 Feb Local Government Finance Settlement confirmed (may be w/c 9 Feb)

5 Feb Budget review by Overview and Scrutiny

9 Feb Budget approved by Executive Committee

23 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 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 no councils will be worse off in real terms, but previously the assumption of a maximum allowable increase in Council Tax was 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.

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- 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 an increase in support grant and retained business rates of **£0.9 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.

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.

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3.5.5 It is considered that there are some legacy budget issues that are becoming apparent during the current financial year that will need to be addressed as part of this budget setting process.

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 February and this Council submitted a detailed response. It is expected that the outcome of the consultation and that 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.

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 **£0.9 million** increase in government funding, primarily determined by the assessment of deprivation within the Borough. There are emerging pressures within the Council based on demand for services, 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.

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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.

3.12 There has been no indication at this point in time 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.

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.

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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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