

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
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 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:

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

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- S31 Grant Funding for Business Rates Subsidy (RHL) will be base on the NNRA1 forms
- 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.

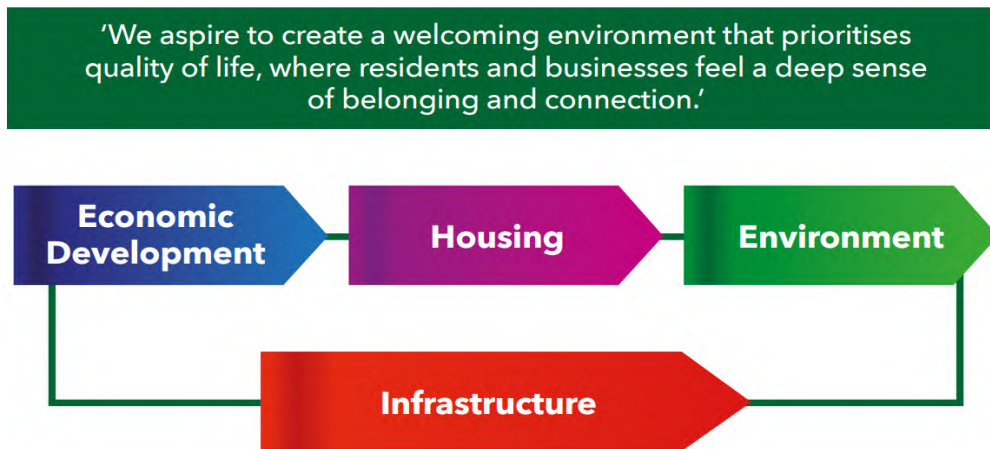
3.15 The final Council Plan provided an overarching vision for the District with the four new priorities as follows:

- Economic Development
- Housing
- Environment
- Infrastructure

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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. As part of this initiative, it is expected that General Fund Reserves will fall no lower than £5m, which is two times the government recommended level. Initiatives under review for prioritisation 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, followed by delivery of that scheme.
- 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.

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- 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 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 Tranche1 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

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- **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 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

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- 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

- 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.
- Following Overview and Scrutiny Committee on the 11th February and cabinet on the 12th February where the Parking report was discussed in detail, £85k has been added to parking budgets, £70k for additional enforcement and £15k for maintenance of ANPR machines.

3.28 The net effects of these changes is summarised in the table below. Overall there is a net £252k deficit in 2025/26, increasing to £1,115k in 2026/27, before reducing to £484k in 2027/28. This is an overall call on general fund reserves of £1,851k.

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

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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
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
Additional Parking Requirements	85	85	85
Updated Totals	252	1,115	484

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

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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 £4,474k of pressures to mitigate. This has been mitigated down in Tranche 2 to a £1,851k overall pressure over the three years with an ongoing issue of £484k a year to resolve in 2027/28 onwards. This is a slightly different approach to 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 £12.526m (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**.

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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:

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	17,451,727		8,117,369	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 ben integrated into the programme.
 - The requirement for an additional £25k a year for laptops for new starters has also been integrated into the programme.

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- 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.
- As per the discussions in Overview and Scrutiny Committee and Cabinet on the Parking report £100k for the implementation of ANPR systems to Recreation Road South, St Johns and Windsor Street Car Parks.

- 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.
- 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 Council's 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.

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- 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.
- Access to existing GBSLEP funds from Birmingham City Council during 2025/26.

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.

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

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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 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.

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- 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 £1.851m 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 £484k.
 - 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 £12.526m 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, 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

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- 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 £1.851m 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 £12.526m 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 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.

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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.
- 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 or 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

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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 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

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- 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 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.

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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
(**Confidential**)

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.

7. KEY

None

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Appendix A

Bromsgrove 25-26 Draft Departmental Budgets				
	Allocation			
Service	Salaries, NI & Super £	Other Costs £	Income £	Grand Total £
BDC Regulatory Client	0	1,011,582	-350,443	661,139
Business Transformation & Organisational Development	2,463,934	1,046,340	-1,288,138	2,222,136
Chief Executive	82,348	1,197,788	-662,723	617,413
Community & Housing GF Services	1,020,041	1,618,776	-1,167,543	1,471,273
Environmental Services	9,855,746	3,397,201	-9,098,380	4,154,567
Financial & Customer Services	0	17,710,339	-15,322,782	2,387,557
Legal, Democratic & Elections	1,653,252	785,499	-1,401,415	1,037,336
Planning & Leisure Services	2,409,397	988,137	-2,148,670	1,248,863
Regen & Property	1,543,583	1,226,227	-1,055,360	1,714,451
Grand Total	19,028,300	28,981,888	-32,495,453	15,514,735
Corporate Financing		12,384,253	-27,898,988	-15,514,735
Overall Totals	19,028,300	41,366,141	-60,394,441	-0
Chief Exec				
Chief Exec Salaries, NI & Super includes vacancy management of	-464,147			

Appendix B – Environmental Services Commercial Fees and Charges

Service Category	Proposed Charges 24/25	Charges 24/25	Proposed Charges 25/26	Charges 25/26
	Uplift %	£	Uplift %	£
CESSPOOL EMPTYING Fees for contract customers effective 1st Oct-30th Sept to tie in with contract period				
Per 4,500 litres or part thereof				
Part A				
Pre booked customers - 0 - 15 pipes	7%	£160	10%	£176
Part B – Additional charges for laying pipes:				
16 - 24 pipes	7%	£62	10%	£68
Or - 25+ pipes/Two operative job	7%	£0		
Part C – Additional Charges:				
Additional charge for attendance within 48hrs (Within working Hours)	7%	£100	20%	£120
Or - Additional Charge for Emergency Out of Hours Service	7%	£0		
Charge is cumulative based on requirements. Total cost will be Part A + Part B + Part C as appropriate.				
Persons in receipt of housing benefit pay only 25% of the above charge for emptying after their second in the same financial year (1st April - 31st March)				
Commercial Waste Collection Services – New Customers in 2021/22 – NEW CHARGE FOR 2021/22				
Residual Waste – Cost per occasion.				
Bin Size:				
Schedule 1				
<240	7%	£2.19	10%	£2.40
180		£6.00	0%	£6.00
240	7%	£7.51	10%	£8.26
660	7%	£14.19	10%	£15.60
770	7%	£15.07	8%	£16.27

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1100	7%	£20.52	7%	£21.95
1100 premium			NEW	£24.00
1280	7%	£24.37	7%	£26.07
Recyclable Waste – Cost per occasion.				
Bin Size:				
Schedule 1				
180		4.00		£4.00
240	7%	£4.84	10%	£5.32
660	7%	£8.68	10%	£9.54
770	7%	£9.06	10%	£9.96
1100	7%	£12.90	8%	£13.92
			NEW	£24.00
1280	7%	£15.38	7%	£16.45
Ad-Hoc Collection Fee outside of scheduled service – Cost per occasion (NEW FEE)				
Inside Bromsgrove District	7%	£ 47.10	10%	£51.81
Outside Bromsgrove District	7%	£ 70.60	10%	£77.66
Waste Duty of Care				
Support with completion of Waste Duty of Care Documentation	7%	£ 35.30	10%	£38.83
Weekly charge for non completion of Waste Duty of Care within 30 days of contract start date.	7%	£ 17.70	10%	£19.47
Commercial Food Waste				
Bin Size:				
Schedule 1				
23ltr caddy			NEW	£5.00
140			NEW	£8.50
Commercial Flexibility				
Officers are authorised to vary all prices by up to 25% +/- to support business generation and partnership building that supports generation of additional income.				

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Appendix C – Worcestershire Regulatory Services Fees and Charges

ENVIRONMENTAL SERVICES		2023/24	2024/25	2025/26
Stray Dogs	Fine (staturory)	£25.00	£25.00	£25.00
	Out of hours charge	£47.00	£50.00	£52.00
	Repeat offender penalty	£42.00	£45.00	£47.00
	Administration Charge	£17.00	£18.00	£19.00
	Kennelling per dog, per day	£18.00	£20.00	£21.00
	Kennelling of dangerous dogs - per dog, per day (by temperament or breed)	£26.00	£28.00	£29.00
	Vet's fees	At cost	At cost	At Cost
	Treatment Costs (wormer, flea treatment etc.)	£12.00	£13.00	£13.50
	Return charge (during office hours when resource available)	£42.00	£45.00	£47.00
	Penalty charge for non-compliance of Microchipping regulations (not microchipped or contact details out of date) or Control of Dogs Order 1992 (no owner contact details on collar or tag)	New	£15.00	£16.00
Envirommental Information Regulations request	Where request relates to 'contamination of the land' charge applied to locate and provide the information requested.	£46.00 per hour to collate information (as estimated at time of request)	£49.00 (flat fee)	£51.00
Littering - Fixed Penalty Notice for Depositing Litter (section 87/88 - Environmental Protection Act 1990)	Reduced Fine (Paid within 10 days)		£50.00	£60-100
	Full Fine Amount		£80.00	£100-£150
Fixed Penalty Notice for Failure to produce authority (Waste Carrier's Licence) (Section 5/5B Control of Pollution (Amendment) Act 1989) Reduced Fine (Paid within 10 days)	Reduced Fine (Paid within 10 days)		£200.00	£210.00
	Full Fine Amount		£300.00	£325.00

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Fixed Penalty Notice for Failure to produce documentation (Waste Transfer Notes) (Section 34(5) and regulations made under it 34(6)/34A Environmental Protection Act 1990) Reduced Fine (Paid within 10 days)	Reduced Fine (Paid within 10 days)		£200.00	£210.00
	Full Fine Amount		£300.00	£325.00
Fixed Penalty Notice for Breach of Waste Duty of Care (section 34 Environmental Protection Act 1990)	Reduced Fine (Paid within 10 days)			£120-£200
	Sliding scale		£100-£300	£150-£400
Flytipping – Fixed Penalty Notice for Depositing Controlled Waste (Section 34(1)(a) and Section 33(2)(a) Environmental Protection Act 1990	Reduced Fine (Paid within 10 days)			£150-£250
	Full Amount sliding scale		£150-£400	£300-£500
Training Certificates	Health / Export	£95 + VAT	£100 + VAT	£ 104 + vat
	Annual specific export inspection Certificate	£428 + VAT	£457 + VAT	£475.00 + vat
	Per hour (minimum 1 hour)	£50.00	£54.00	£56.00
FHRS (Food Hygiene Rating Scheme) re-rating		£178.00	£190.00	£198.00
Food Advisory Visits		£150.00	£160.00	£166.00
Private Water Supplies	Risk Assessment per hour (minimum 1 hour)	£59 per hour	£63 per hour	£66.00 per hour
	Investigation per hour (minimum 1 hour)	£59 per hour	£63 per hour	£66.00 per hour
	Granting an Authorisation per hour (minimum 1 hour)	£59 per hour	£63 per hour	£66.00 per hour
	Sampling Visit per hour (minimum 1 hour)	£59 per hour	£63 per hour	£66.00 per hour
	Sample analysis per sample taken	£59.00 per hour plus laboratory charges	£63.00 per hour plus laboratory	£66.00 per hour plus laboratory
	Sample taken during check monitoring	£59.00 per hour plus laboratory charges	£63.00 per hour plus laboratory	£66.00 per hour plus laboratory
	Sample taken during audit monitoring	£59.00 per hour plus laboratory charges	£63.00 per hour plus laboratory	£66.00 per hour plus laboratory

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LICENSING ACT 2003 - FEES SET BY CENTRAL GOVERNMENT - SAME FOR ALL DISTRICT COUNCILS					
Temporary Event Notices					
	Fee to serve a Temporary Event Notice (TEN)	£21.00			
	Copy of a TEN (if lost or stolen)	£10.50			
Personal licences					
	Application for the grant of a personal licence	£37.00			
	Fee for a replacement personal licence (if lost or stolen)	£10.50			
	Fee to notify a change of name or address on a personal licence	£10.50			
Applications for new premises licences or club premises certificates					
	Applications for the grant of a premises licence or club premises certificate				
	Band A (NDRV 0 - 4300)	£100.00			
	Band B (NDRV 4301 - 33000)	£190.00			
	Band C (NDRV 33001 - 87000)	£315.00			
	Band D (NDRV 87001 - 125000)	£450.00			
	Band E (NDRV 125001+)	£635.00			
	premises is used exclusively or primarily for the supply of alcohol for consumption on the premises)				
	Band A (NDRV 0 - 4300)	£100.00			
	Band B (NDRV 4301 - 33000)	£190.00			
	Band C (NDRV 33001 - 87000)	£315.00			
	Band D (NDRV 87001 - 125000)	£900.00			
	Band E (NDRV 125001+)	£1,905.00			
	Additional fees for grant of a premises licences (for large venues with capacities over 5000)				
	5000 - 9999	£1,000.00			
	10000 - 14999	£2,000.00			
	15000 - 19999	£4,000.00			
	20000 - 29999	£8,000.00			
	30000 - 39999	£16,000.00			
	40000 - 49999	£24,000.00			
	50000 - 59999	£32,000.00			
	60000 - 69999	£40,000.00			
	70000 - 79999	£48,000.00			
	80000 - 89999	£56,000.00			
Applications to vary premises licences and club premises certificates					
	Applications to vary a premises licence or club premises certificate				
	Band A (NDRV 0 - 4300)	£100.00			
	Band B (NDRV 4301 - 33000)	£190.00			
	Band C (NDRV 33001 - 87000)	£315.00			
	Band D (NDRV 87001 - 125000)	£450.00			
	Band E (NDRV 125001+)	£635.00			
	Applications to vary a premises licence (where the premises is used exclusively or primarily for the supply of alcohol for consumption on the premises)				
	Band A (NDRV 0 - 4300)	£100.00			
	Band B (NDRV 4301 - 33000)	£190.00			
	Band C (NDRV 33001 - 87000)	£315.00			
	Band D (NDRV 87001 - 125000)	£900.00			
	Band E (NDRV 125001+)	£1,905.00			
	Application for a minor variation of a premises licence or club premises certificate	£89.00			

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Annual maintenance fees		
Annual premises licence or club premises certificate fee		
Band A (NDRV 0 - 4300)		£70.00
Band B (NDRV 4301 - 33000)		£180.00
Band C (NDRV 33001 - 87000)		£295.00
Band D (NDRV 87001 - 125000)		£320.00
Band E (NDRV 125001 +)		£350.00
Annual premises licence (where the premises is used exclusively or primarily for the supply of alcohol for consumption on the premises)		
Band A (NDRV 0 - 4300)		£70.00
Band B (NDRV 4301 - 33000)		£180.00
Band C (NDRV 33001 - 87000)		£295.00
Band D (NDRV 87001 - 125000)		£640.00
Band E (NDRV 125001 +)		£1,050.00
Additional annual fees premises licences (for large venues with capacities over 5000)		
5000 - 9999		£500.00
10000 - 14999		£1,000.00
15000 - 19999		£2,000.00
20000 - 29999		£4,000.00
30000 - 39999		£8,000.00
40000 - 49999		£12,000.00
50000 - 59999		£16,000.00
60000 - 69999		£20,000.00
70000 - 79999		£24,000.00
80000 - 89999		£28,000.00
Other applications and notifications		
Application to transfer a premises licence		£23.00
Application to vary a premises licence to nominate a premises supervisor		£23.00
Fee to change name or address of the holder of a premises licence		£10.50
Fee to change the name or address of a designated premises supervisor on a premises		£10.50
Fee for a replacement premises licence or club premises certificate (if lost or stolen)		£10.50
Fee to notify licensing authority of a property interest in a premises		£21.00
Notification of change or club name or alteration to club rules		£10.50
Notification of change of registered address of club		£10.50
Interim authority notice following death, incapacity or insolvency of licence holder		£23.00
Application for grant of a provisional statement		£315.00
Pavement Licenses		
Every 6 months		£100.00

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LICENSING FEES AND CHARGES	2023/24	2024/25	2025/26
TAXI AND PRIVATE HIRE			
Hackney Carriage Vehicle Licence	£260.40	£278.60	£289.70
Private Hire Vehicle Licence	£241.50	£258.40	£268.70
Temporary Hackney Carriage Vehicle Licence	£195.30	£209.00	£217.40
Temporary Private Hire Vehicle Licence	£181.10	£193.80	£201.60
Private Hire Operator Licence (5 year)	£1,180.20	£1,262.80	£1,313.30
Hackney Carriage / Private Hire Driver Licence (3 year)	£244.70	£261.80	£272.30
Knowledge Test	£24.20	£25.90	£26.90
Replacement vehicle licence plate	£24.20	£25.90	£26.90
Replacement driver's licence	£22.10	£23.60	£24.50
Transfer of ownership of a licensed vehicle	£39.90	£42.70	£44.40
Criminal Record (DBS) Check	£58.80	£62.90	£65.40
ANIMAL ACTIVITY LICENCES			
Hiring out horses, breeding of dogs, providing or arranging the provision of boarding for cats or dogs and selling			
Application fee	£329.00	£355.00	£365.70
Licence fee (1 year)	£184.00	£199.00	£205.00
Licence fee (2 years)	£364.00	£393.00	£404.80
Licence fee (3 years)	£546.00	£590.00	£607.70
Application to vary a licence	£240.00	£259.00	£266.80
Veterinary fees (if applicable)	Recovered at cost		
Local authority inspection (on request of licence holder)	£164.00	£177.00	£182.30
Keeping or training animals for exhibition (only)			
Application fee	£219.00	£237.00	£244.10
Licence fee (3 years)	£300.00	£324.00	£333.70
Application to vary a licence	£158.00	£170.00	£175.10
Veterinary fees (if applicable)	Recovered at cost		
Local authority inspection (on request of licence holder)	£163.00	£177.00	£182.30
ACUPUNCTURE, COSMETIC PIERCING, SEMI-PERMANENT SKIN COLOURING, TATTOOING, ELECTROLYSIS			
Fee to register a premises	£142.80	£152.80	£158.90
Fee to register a practitioner	£93.50	£100.00	£104.00
GAMBLING ACT 2005 (inc. SMALL LOTTERIES)			
Small society lotteries			
Fee to register a small society lottery	£40.00	£40.00	£40.00
Small society lottery annual maintenance fee	£20.00	£20.00	£20.00
Application for the grant of a premises licence			
Betting (excluding tracks)	£1,849.10	£1,978.50	£2,057.60
Betting Tracks	£1,542.50	£1,650.50	£1,716.50
Bingo	£2,216.60	£2,371.80	£2,466.70
Adult Gaming Centres	£1,266.30	£1,354.90	£1,409.10
Family Entertainment Centres	£1,266.30	£1,354.90	£1,409.10

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Premises licence annual fees			
Betting (excluding tracks)	£381.20	£407.90	£424.20
Betting Tracks	£634.20	£678.60	£705.70
Bingo	£634.20	£678.60	£705.70
Adult Gaming Centres	£634.20	£678.60	£705.70
Family Entertainment Centres	£476.70	£510.10	£530.50
Application to vary a premises licence			
Betting (excluding tracks)	£951.30	£1,017.90	£1,058.60
Betting Tracks	£791.70	£847.10	£881.00
Bingo	£1,112.00	£1,189.80	£1,237.40
Adult Gaming Centres	£951.30	£1,000.00	£1,000.00
Family Entertainment Centres	£735.00	£786.50	£818.00
Application to transfer a premises licence			
Betting (excluding tracks)	£758.10	£811.20	£843.60
Betting Tracks	£601.70	£643.80	£669.60
Bingo	£759.20	£812.30	£844.80
Adult Gaming Centres	£758.10	£811.20	£843.60
Family Entertainment Centres	£601.70	£643.80	£669.60
Application for a provisional statement			
Betting (excluding tracks)	£1,849.10	£1,978.50	£2,057.60
Betting Tracks	£1,542.50	£1,650.50	£1,716.50
Bingo	£2,216.60	£2,371.80	£2,466.70
Adult Gaming Centres	£1,266.30	£1,354.90	£1,409.10
Family Entertainment Centres	£1,266.30	£1,354.90	£1,409.10
Application for the grant of a premises licence (provisional statement holders)			
Betting (excluding tracks)	No fee set	£833.60	£866.90
Betting Tracks	No fee set	£833.60	£866.90
Bingo	No fee set	£837.10	£870.60
Adult Gaming Centres	No fee set	£837.10	£870.60
Family Entertainment Centres	No fee set	£696.60	£724.50
Application for reinstatement of a premises licence			
Betting (excluding tracks)	£739.20	£790.90	£822.50
Betting Tracks	£590.10	£631.40	£656.70
Bingo	£739.20	£790.90	£822.50
Adult Gaming Centres	£739.20	£790.90	£822.50
Family Entertainment Centres	£590.10	£631.40	£656.70
Premises licence fees (miscellaneous)			
Copy of a premises licence (all types)	£25.00	£25.00	£25.00
Notification of a change in respect of a premises licence (all types)	£50.00	£50.00	£50.00
Licensed Premises Gaming Machine Permits			
Application for grant of a permit	£150.00	£150.00	£150.00
Application for variation of a permit	£100.00	£100.00	£100.00
Application for the transfer of a permit	£25.00	£25.00	£25.00
Annual permit fee	£50.00	£50.00	£50.00
Change of name shown on a permit	£25.00	£25.00	£25.00
Request for a copy of a permit	£15.00	£15.00	£15.00

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Licensed Premises Gaming Machines (Automatic)			
Fee to serve notification	£50.00	£50.00	£50.00
Club Gaming Permits			
Application for grant of a permit	£200.00	£200.00	£200.00
Application for grant of a permit (Club premises certificate holders)	£100.00	£100.00	£100.00
Application for variation of a permit	£100.00	£100.00	£100.00
Application for renewal of a permit	£200.00	£200.00	£200.00
Application for renewal of a permit (club premises certificate holders)	£100.00	£100.00	£100.00
Annual permit fee	£50.00	£50.00	£50.00
Request for a copy of a permit	£15.00	£15.00	£15.00
Club Machine Permits			
Application for grant of a permit	£200.00	£200.00	£200.00
Application for grant of a permit (Club premises certificate holders)	£100.00	£100.00	£100.00
Application for variation of a permit	£100.00	£100.00	£100.00
Application for renewal of a permit	£200.00	£200.00	£200.00
Application for renewal of a permit (club premises certificate holders)	£100.00	£100.00	£100.00
Annual permit fee	£50.00	£50.00	£50.00
Request for a copy of a permit	£15.00	£15.00	£15.00
Family Entertainment Centre Gaming Machine Permit			
Application for grant of a permit	£300.00	£300.00	£300.00
Application for renewal of a permit	£300.00	£300.00	£300.00
Change of name shown on a permit	£25.00	£25.00	£25.00
Request for a copy of a permit	£15.00	£15.00	£15.00
Prize Gaming Permits			
Application for grant of a permit	£300.00	£300.00	£300.00
Application for renewal of a permit	£300.00	£300.00	£300.00
Change of name shown on a permit	£25.00	£25.00	£25.00
Request for a copy of a permit	£15.00	£15.00	£15.00
Temporary Use Notices			
Fee to serve a Temporary Use Notice	£287.00	£307.10	£319.40
Request for a copy of a Temporary Use Notice	£25.00	£25.00	£25.00
STREET TRADING			
Annual street trading consent - food - initial	£1,519.40	£1,625.80	£1,690.80
Annual street trading consent - food - renewal	£1,393.40	£1,490.90	£1,550.50
Annual street trading consent - non-food - initial	£1,267.40	£1,356.10	£1,410.30
Annual street trading consent - non-food - renewal	£1,140.30	£1,220.10	£1,268.90
SCRAP METAL DEALERS LICENCES			
Application for a new site licence	£296.00	£311.00	£320.30
Fee per additional site	£153.00	£160.00	£164.80
Application for renewal of a site licence	£245.00	£257.00	£264.70
Fee per additional site	£153.00	£170.00	£175.10
Application for a new collectors licence	£148.00	£155.00	£159.70
Application for renewal of a collectors licence	£97.00	£102.00	£105.10
Variation of a licence	£67.00	£70.00	£72.10
Request for a copy of a licence (if lost or stolen)	£26.00	£27.00	£27.80

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ZOO LICENCES			
Application for grant or renewal of a licence	£250.00	£267.50	£278.20
Secretary of state inspector and veterinary fees	Recovered at cost		
DANGEROUS WILD ANIMALS (DWA)			
Application for grant or renewal of a licence	£235.00	£251.50	£261.60
Veterinary inspection fees	Recovered at cost		
SEX ESTABLISHMENTS			
Application for grant or renewal of a licence	£1,020.00	£1,091.40	£1,135.10
Application for transfer of licence	£500.00	£535.00	£556.40
Application for variation of licence	£1,020.00	£1,091.40	£1,135.10
PAVEMENT LICENCES			
Application for a pavement licence (6 months licence)	£100.00	£100.00	£0.00
Application for a new pavement licence - 2 years			£500.00
Application for a renewal pavement licence - 2 years			£350.00
STREET AMENITY PERMISSIONS			
Application for grant of a new permission	£200.00	£214.00	Ceased - £
Application for renewal of a permission	£55.00	£58.90	Ceased - £
HYPNOTISM			
Application for authorisation	£50.00	£53.50	£55.60

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Appendix D – Reserves Position

	Balance as at 31 March 2022 £000	Transfers In 2022/23 £000	Transfers Out 2022/23 £000	Balance as at 31 March 2023 £000	Transfers In 2023/24 £000	Transfers Out 2023/24 £000	Balance as at 31 March 2024 £000	Prior year Changes	Transfers In 2024/25 £000	Transfers Out 2024/25 £000	Balance as at 31 March 2024 £000	Transfers In 2025/26 £000	Transfers Out 2025/26 £000	Balance as at 31 March 2024 £000	Transfers In 2026/27 £000	Transfers Out 2026/27 £000	Balance as at 31 March 2024 £000	Transfers In 2027/28 £000	Transfers Out 2027/28 £000	Balance as at 31 March 2024 £000
General Fund Balances	14,235	7,881	(9,012)	13,104	1,747	(1,330)	13,521	1,200		(344)	14,377		(252)	14,125		(1,115)	13,010		(484)	12,526
General Fund:																				
Building Control Other	7	0	0	7	0	0	7	0	0	0	7	0	0	7	0	0	7	0	0	7
Building Control Partnerships	82	0	0	82	0	0	82	0	0	0	82	0	0	82	0	0	82	0	0	82
Community Services	271	50	0	321	0	(125)	196	0	0	0	196	0	0	196	0	0	196	0	0	196
Economic Regeneration	1,348	0	0	1,348	50	0	1,398	(600)	0	0	798	0	0	798	0	0	798	0	0	798
Election Services	51	34	0	85	0	0	85	0	0	0	85	0	0	85	0	0	85	0	0	85
Environmental Services	27	0	0	27	0	0	27	0	0	0	27	0	0	27	0	0	27	0	0	27
Financial Services	4,705	0	0	4,705	430	(500)	4,635	(750)	0	0	3,885	0	(334)	3,551	0	0	3,551	0	0	3,551
HR Backlog Funding								75	0	0	75	0	0	75	0	0	75	0	0	75
ICT Backlog Funding								75	0	0	75	0	0	75	0	0	75	0	0	75
Housing Schemes	864	0	0	864	0	0	864	0	0	0	864	0	0	864	0	0	864	0	0	864
ICT/Systems	197	0	0	197	0	0	197	0	0	0	197	0	0	197	0	0	197	0	0	197
Leisure/Community Safety	151	0	(36)	115	0	0	115	0	0	0	115	0	0	115	0	0	115	0	0	115
Local Neighbourhood Partnerships	16	0	0	16	0	0	16	0	0	0	16	0	0	16	0	0	16	0	0	16
Other	67	0	0	67	0	0	67	0	0	0	67	0	0	67	0	0	67	0	0	67
Planning & Regeneration	133	330	0	463	0	0	463	0	0	0	463	0	0	463	0	0	463	0	0	463
Regulatory Services (Partner Share)	73	12	0	85	0	0	85	0	0	0	85	0	0	85	0	0	85	0	0	85
Replacement Reserve (Inc. Recycli)	0	0		0			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shared Services (Severance Costs)	311	0	0	311	0	0	311	0	0	0	311	0	0	311	0	0	311	0	0	311
Covid-19 (General Covid Grant)	766	0	0	766	0	0	766	0	0	0	766	0	0	766	0	0	766	0	0	766
Covid-19 (Collection Fund)	4,789	0	(3,185)	1,604	0	0	1,604	0	0	0	1,604	0	0	1,604	0	0	1,604	0	0	1,604
Utilities				0			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ward Budgets				0			0	0	234	(78)	156	0	(78)	78		(78)	0			0
Council Tax Hardship Fund	0	79	0	79	0	0	79	0	0	0	79	0	0	79	0	0	79	0	0	79
Property Services Review											0	100	(100)	0			0			0
EPR Funding Allocationb											0	1,004	(100)	904		(450)	454		(450)	4
Artrix Holding Trust	0	17	0	17	0	0	17	0	0	0	17	0	0	17	0	0	17	0	0	17
Total General Fund	13,858	522	(3,221)	11,159	480	(625)	11,014	(1,200)	234	(78)	9,970	1,104	(612)	10,462	0	(528)	9,934	0	(450)	9,484

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Appendix E – Capital Programme

Cap Proj	Description	Department	Funding detail	Caried Fwd to 24/5	2024/25 Budget £	2024/25 Total £	Spend 24/5	2025/26 Total £	2026/27 Total £	2027/28 Total £	2028/29 Total £	2029/30 Total £	Council 24/25 £	Council 25/26 £	Council 26/27 £	Council 27/28 £	Council 28/29 £	Council 29/30 £	3rd Party 24/25 £	3rd Party 25/26 £	3rd Party 26/27 £	3rd Party 27/28 £	3rd Party 28/29 £	3rd Party 29/30 £	
	Large Schemes																								
	Levelling Up Fund Fund																								
	- Government Funded	Planning, Regeneration & Leisure Services	Grant Funding					0	0	0	0	0													
200072	Market Hall (LUF)	Planning, Regeneration & Leisure	Levelling Up Fund	12,337,104		6,109,104	1,921,799	9,228,000		0	0	0		3,000,000						6,109,104	6,228,000				
200073	EF - Fire Station	Planning, Regeneration & Leisure	Levelling Up Fund	1,209,674		1,209,674	77,300	0	0	0	0	0								1,209,674					
	- Council Funded		Borrowing					0	0	0	0	0													
	UK Shared Prosperity Fund - Capital Element	Planning, Regeneration & Leisure Services	Grant Funding					0	0	0	0	0													
	- Revenue Element	Planning, Regeneration &	Grant Funding					0	0	0	0	0								0	0				
	- Remainder (to be allocated)	Planning, Regeneration & Leisure Services	Grant Funding	627,001	1,784,215	2,411,216		918,000	0	0	0	0								0	0				
								0	0	0	0	0								1,784,215	918,000				
								0	0	0	0	0													
200006	Schemes Agreed to Continue Burcot Lane	Financial & Customer Services	Public works loan board and grant homes england	0	0	0	-915,914	0	0	0	0	0		0	0										
200007	CCTV	Community & Housing GF Services	Capital Receipts/Borrowi		0	0		0	0	0	0	0		0	0										
200008	Funding for DFGs	Community & Housing GF Services	Grant income WCC	13,432	1,130,316	1,143,748	567,033	1,285,847	800,000	800,000	800,000	800,000								1,130,316	1,285,847	800,000	800,000	800,000	
200009	Home Repairs Assistance	Community & Housing GF Services	Long Term Debtors	115,602	50,000	165,602		50,000	50,000	50,000	50,000	50,000		50,000	50,000	50,000	50,000	50,000							
200010	Energy Efficiency Installation	Community & Housing GF Services	Capital Receipts/Borrowi	102,190	110,000	212,190		0	0	0	0	0		110,000	0										
200016	New Finance Enterprise system	Financial & Customer Services	Capital Receipts		20,000	20,000		20,000	20,000	20,000	20,000	20,000		20,000	20,000	20,000	20,000	20,000							
200019	Fleet Replacemnet new line			0	2,180,000	2,180,000	13,860	1,265,000	820,000	0	0	0		2,180,000	1,265,000	820,000	0	0							
200022	Replacement Parking machines and Upkeep of Sites	Environmental Services	Capital Receipts/Borrowi	12,745	125,000	137,745	85,003	100,000	100,000	100,000	100,000	100,000		125,000	100,000	100,000	100,000	100,000							
200030	Wheelie Bin Purchase	Environmental Services	Capital Receipts/Borrowi	0	60,000	60,000	88,272	120,000	120,000	120,000	120,000	120,000		60,000	120,000	120,000	120,000	120,000							

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Cap Proj	Description	Department	Funding detail	Caried Fwd to 24/5	2024/25 Budget £	2024/25 Total £	Spend 24/5	2025/26 Total £	2026/27 Total £	2027/28 Total £	2028/29 Total £	2029/30 Total £	Council	Council	Council	Council	Council	Council	3rd Party	3rd Party	3rd Party	3rd Party	3rd Party	3rd Party
													24/25 £	25/26 £	26/27 £	27/28 £	28/29 £	29/30 £	24/25 £	25/26 £	26/27 £	27/28 £	28/29 £	29/30 £
	Food Waste Collection - fund for Vechgicles and containers							902,511	0	0	0	0												
	Replacement Wheeled Bins							2,200,000	0	0	0	0								902,511				
	Parkside - Requirement for a firewall							9,750	0	0	0	0		2,200,000										
	Laptops for new Starters							25,000	25,000	25,000	25,000	0		9,750										
	Salary Capitalisation							750,000	750,000	750,000	750,000	750,000		25,000	25,000	25,000	25,000							
	ANPR Machines in 3 Car							100,000						750,000	750,000	750,000	750,000	750,000						
	Arrix - Landlord Obligations				20,000	20,000	17,587	20,000	20,000	20,000	20,000	20,000	20,000	100,000										
	Total			14,890,949	6,376,987	15,039,936	1,993,474	17,451,727	3,222,841	2,469,459	2,310,531	2,373,749	3,424,500	8,117,369	2,422,841	1,669,459	1,510,531	1,573,749	10,271,265	9,334,358	800,000	800,000	800,000	800,000

Appendix F – Capital Strategy

Introduction

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members’ understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

- 1.3 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 1.4 In 2025/26, the Authority is planning capital expenditure of £2.7m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget
General Fund services	3.4	4.2	2.7	2.3	1.5
Regeneration	0.5	1.9	0.0	0.0	0.0
TOTAL	3.9	6.1	2.7	2.3	1.5

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The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2025/26 financial year.

- 1.5 The main General Fund capital projects are the three Levelling Up Projects which amount to £16m of expenditure and include Public Realm Improvements £1.0m, The New Market Hall Centre amounts to £10.3m, and clearance of the Windsor Street site ready for redevelopment. The Council received approval from the Ministry of Housing, Local Government and Communities on the 30th January 2025 that delivery of these projects could be extended until the 31st March 2026. Both the Windsor Street and Public Realm projects were completed by the end of the 2024/5 financial year. The Burcot housing development was completed in early 2024 (£10.0m). Following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments.
- 1.6 **Governance:** Service managers bid annually in January to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Audit Standards and Governance Committee and then the Cabinet appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to Council. The final capital programme is then presented to Cabinet in February and to Council in February each year.
- For full details of the Authority's capital programme, including the project appraisals undertaken, see Tranche 2 of the 2025/26 Medium Term Financial Plan.
- 1.7 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget

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External sources	0.9	2.7	0.8	0.8	0.8
Own Resources	3.0	3.4	1.9	1.5	0.7
Debt	0.0	0.0	0.0	0.0	0.0
TOTAL	3.9	6.1	2.7	2.3	1.5

- 1.8 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned [MRP / repayments] and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget
Minimum revenue provision	0.9	1.2	1.3	1.3	1.4
Capital Receipts	0.9	2.0	0.0	0.0	0.0

- The Authority's full minimum revenue provision statement is available within the body of this report.

- 1.9 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £2.7m during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	31.3.2028 budget
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General Fund & Regeneration	38.6	42.7	45.4	47.7	49.2
TOTAL CFR	38.6	42.7	45.4	47.7	49.2

1.10 **Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. Within this strategy, individual properties and associated land will be further evaluated to determine:

- The operational necessity and benefit.
- Projected costs of ensuring all elements of the buildings continue to meet legislative requirements and performance standards.
- Planned and cyclical maintenance costs for elements nearing the end of their 'life' expectancy, ensuring service provision is maintained without unnecessary interruption. Costs associated with meeting future EPC rating minimum requirements.
- Rent levels (and net costs for each building) and revised leases.
- Alternative or rationalised portfolio or joint enterprises for service delivery.

By evaluation of all factors cited above, informed decisions can be made to determine which assets are:

- No longer cost effective to run, where outlay exceeds earning potential
- No longer viable for effective service delivery
- Surplus to requirements

Asset considerations will be presented to Cabinet on a half yearly basis for approval for disposal, unless there is an urgent requirement for a decision.

1.11 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt: The Authority is currently also permitted to spend capital receipts "flexibly" on service transformation projects until 2025/26 although nothing is presently planned. Repayments of capital grants, loans and

investments also generate capital receipts. The Authority plans to receive £0m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget
Asset sales	0.9	2.0	0.0	0.0	0.0
Loans etc repaid	0.0	0.0	0.0	0.0	0.0

Treasury Management

- 1.12 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.13 Due to decisions taken in the past, the Authority currently has no external long term (over 1 year) borrowing and £14.5m treasury investments at an average rate of 4.9%.
- 1.14 **Borrowing strategy:** The Authority’s main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 1.15 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

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- 1.16 Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	31.3.2028 budget
General Fund (incl. PFI & leases)	3.9	6.1	2.7	2.3	1.5
Capital Financing Requirement	38.6	42.7	45.4	47.7	49.2

- 1.17 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.
- 1.18 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £2m at each year-end. This benchmark is currently £5.69m and is not forecast to rise over the next three years.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	31.3.2028 budget
Forecast Outstanding borrowing - GF	0.0	0.0	0.0	0.0	0.0
Liability benchmark	5.69	5.69	5.69	5.69	5.69

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- 1.19 The table shows that the Authority expects to remain borrowed below its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.
- 1.20 **Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m	2027/28 limit £m
Authorised limit – borrowing	60	60	60	60
Authorised limit – PFI and leases	1	1	1	1
Authorised limit – total external debt	61	61	61	61
Operational boundary – borrowing	55	55	55	55
Operational boundary – PFI and leases	1	1	1	1
Operational boundary – total external debt	56	56	56	56

- 1.21 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

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- 1.22 The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Table 9: Treasury management investments in £millions

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget
Near-term investments	4.5	4.5	4.5	4.5	4.5
Long-term investments	0	0	0	0	0
TOTAL	4.5	4.5	4.5	4.5	4.5

➤ Further details on treasury investments are in the Treasury Management Strategy part of this appendix.

- 1.23 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- The treasury management prudential indicators are in the treasury management strategy which are part of these appendices.
- 1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet. The Audit, Standards and Governance Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

- 1.25 The Authority makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, and the Authority's subsidiaries that provide services to stakeholders. Total investments for service purposes are currently valued at £0m.
- 1.26 **Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs. A limit of £2.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 1.27 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director and the Director of Finance are responsible for ensuring that adequate due diligence is carried out before investment is made.

Further details on service investments are in the Treasury Management Strategy.

Liabilities

- 1.28 The Authority is committed to making future payments to cover its pension fund deficit (which is in surplus as per the 2022 Triennial revaluation and the backlog will be cleared in 2037). It has also set aside £1.0m for Business Rates appeals.
- 1.29 **Governance:** Decisions on incurring new discretionary liabilities are taken by Heads of Service in consultation with the Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by the corporate finance team and reported biannually to Cabinet. New liabilities exceeding £0.5m are reported to full council for approval/notification as appropriate.

Revenue Budget Implications

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- 1.30 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget *	2026/27 budget	2027/28 budget
Financing costs (£m)	0.9	1.2	1.3	1.3	1.4
Proportion of net revenue stream	11.40%	11.50%	11.50%	11.50%	11.60%

- 1.31 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the Medium Term Financial Plan (MTFP) forecasts which show that the Council is financially sustainable over that period.

Knowledge and Skills

- 1.32 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Head of Service are qualified

accountants with significant experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.

1.33 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers and Bruton Knowles as property consultants. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

➤ Further details on staff training can be found in the HR Employee Development section of the website.

Appendix G – Treasury Management Strategy

Introduction

- 2.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 2.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 2.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background:

- 2.4 The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.
- 2.5 The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.
- 2.6 The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth

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was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

- 2.7 ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.
- 2.8 The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.
- 2.9 The US Federal Reserve has continued cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an (upwardly revised) annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.
- 2.10 Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit outlook:

- 2.11 Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

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- 2.12 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.
- 2.13 Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.
- 2.14 Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2024):

- 2.15 The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- 2.16 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.
- 2.17 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.
- 2.18 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.6%, and that new long-term loans will be borrowed at an average rate of 5.2%.

Local Context

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- 2.19 On 28th January 2025, the Authority had no borrowing and £14.5m of treasury investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Capital financing requirement	38.6	42.7	45.4	47.7	49.2
Less: External borrowing **	0	0	0	0	0
Internal borrowing	38.6	42.7	45.4	47.7	49.2
Less: Usable Reserves	-17.4	-17.2	-17.1	-17.1	-17.1
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
Treasury investments	-18.1	-22.4	-25.2	-27.5	-29.0

** shows only loans to which the Authority is committed and excludes optional refinancing

- 2.20 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 2.21 The Authority has an increasing CFR due to the capital programme, but minimal investments but will be funding the programme through internal borrowing.
- 2.22 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2025/26.
- 2.23 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £0.2m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.24 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

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Table 2: Prudential Indicator: Liability benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	38.6	42.7	45.4	47.7	49.2
Less: Usable Reserves	-17.4	-17.2	-17.1	-17.1	-17.1
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
Net loans requirement	18.1	22.4	25.2	27.5	29.0
Plus: Liquidity allowance	0.2	0.2	0.2	0.2	0.2
Liability benchmark	18.3	22.6	25.4	27.7	29.2

- 2.25 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £2m average a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year.

Borrowing Strategy

- 2.26 The Authority currently holds £0 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £0m in 2025/26. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £60 million.
- 2.27 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 2.28 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

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- 2.29 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of [internal / short-term] borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 2.30 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 2.31 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 2.32 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly known as UK Infrastructure Bank Ltd)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Local Government Pension Scheme)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 2.33 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase

- Private Finance Initiative
- sale and leaseback

- 2.34 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
- 2.35 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 2.36 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

- 2.37 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £1 and £14.5 million, and similar levels are expected to be maintained in the forthcoming year.
- 2.38 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

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- 2.39 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 2.40 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 2.41 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 2.42 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 2.43 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

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Table 3: Treasury investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years
AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds and real estate investment trusts		£2.5m per fund or trust			

- 2.44 **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 2.45 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

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- 2.46 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 2.47 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 2.48 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 2.49 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 2.50 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 2.51 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 2.52 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over

the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

- 2.53 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- 2.54 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.0m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 2.55 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- 2.56 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No

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investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 2.57 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 2.58 **Investment limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £10.867 million on 31st March 2025 and £10.789 million on 31st March 2026. In order that no more than 42% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 2.59 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2m in operational bank accounts count against the relevant investment limits.
- 2.60 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total

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Loans to unrated corporates	£1m in total
Money market funds	£20m in total
Real estate investment trusts	£2.5m in total

- 2.61 **Liquidity management:** The Authority uses detailed spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.
- 2.62 The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

- 2.63 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 2.64 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit [rating / score]	A-

- 2.65 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

- 2.66 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

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Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£500,000

2.67 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

2.68 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

2.69 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

2.70 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2025/26	2026/27	2027/27	No fixed date
Limit on principal invested beyond year end	£1.0m	£0.5m	£0m	£0m

2.71 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

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Related Matters

- 2.72 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 2.73 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 2.74 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 2.75 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 2.76 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 2.77 **Markets in Financial Instruments Directive:** The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

Financial Implications

- 2.78 The budget for investment income in 2025/26 is £203.6k based on an average investment portfolio of £4.5 million at an interest rate of 4.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
- 2.79 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

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Other Options Considered

2.80 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, having consulted the Cabinet Member for Finance and Enabling, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2024

Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.
- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

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Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

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	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

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Appendix B – Existing Investment & Debt Portfolio Position

	28/01/2025	28/01/2025
	Actual Portfolio	Average Rate
	£m	%
External borrowing:	0	0
Total external borrowing	0	0
Treasury investments:		
Banks, MMF & building societies (unsecured)	9.5	4.7
Government (incl. local authorities)	5.0	4.9
Total treasury investments	14.5	4.8
Net Investments	14.5	

Appendix H – MRP Statement

- 3.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.
- 3.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 3.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- 3.4 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
 - For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
 - Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure on loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.
- Where the council makes a capital contribution or loan to another entity or where responsibility for a council asset with borrowing attached is transferred to a third party, then no MRP will be set aside if:
 - the payments are appropriately covered by assets
 - there are detailed plans demonstrating that all the expenditure will be recovered in an appropriately short time frame
- To ensure that this remains a prudent approach the Council will review the expenditure and income regularly to determine if the income or asset values have decreased to the point that MRP needs to be provided for. Should evidence emerge which suggests the expenditure will no longer be recovered, MRP will be provided for.
- Where the council uses internal borrowing and receipts of rental income are greater than the MRP calculated then as there are sufficient revenues to repay the capital cost, no MRP will be set aside.

3.5 Capital loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

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- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

3.6 Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

3.7 Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2025, the budget for MRP has been set as follows:

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	31.03.2025 Estimated CFR	2025/26 Estimated MRP
	£m	£m
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008		
Unsupported capital expenditure after 31.03.2008	42.7	1.31
Leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		
Voluntary overpayment (or use of prior year overpayments)		
Total General Fund	42.7	1.31

3.8 **Capital receipts**

Proceeds from the sale of capital assets are classed as capital receipts, and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.

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- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

Appendix I – Investment Strategy

Introduction

- 4.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 4.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 4.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

- 4.4 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is

invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £1m and £14m during the 2025/26 financial year.

- 4.5 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 4.6 **Further details:** Full details of the Authority's policies and its plan for 2025/26 for treasury management investments are covered in a separate document, the treasury management strategy, which is part of these appendices.

Service Investments: Loans

- 4.7 **Contribution:** The Council will lend money to its subsidiaries, local businesses, local charities and housing associations to support local public services and stimulate local economic growth.
- 4.8 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

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Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2024 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit £m
Subsidiaries	0	0	0	1.0
Local businesses	0	0	0	0.5
Local charities	0	0	0	0.5
Housing associations	0	0	0	1.0
TOTAL	0	0	0	3.0

- 4.9 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 4.10 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice is only sought from credible sources eg acknowledged experts in their fields and officers ensure that they fully understand any information given to them before decision or advice is taken.

Commercial Investments: Property

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- 4.11 **Contribution:** The Authority invests via Regeneration schemes such as Levelling Up Fundings via the Government in property with the intention of making a profit that will be spent on local public services. Levelling Up funding in being invested in regenerating the Market Hall site and clearing the existing Fire Station site for future regeneration.

Table 2: Property held for investment purposes in £ millions

Property [type]	Actual	31.3.2024 actual		31.3.2025 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
N/A	0	0	0	0	0
TOTAL	0	0	0	0	0

- 4.12 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 4.13 *Where value in accounts is at or above purchase cost:* A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2024/25 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 4.14 *Where value in accounts is below purchase cost:* The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested.
- 4.15 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by involving specialist advisors with expertise in the type of property being purchased, looking at historic data and speaking to other councils undertaking similar activities.

- 4.16 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council ensures that properties purchased are in an active market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

Loan Commitments and Financial Guarantees

- 4.17 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

Proportionality

- 4.18 The Council does not plan to become dependent on profit generating investment activity to achieve a balanced revenue budget.

Borrowing in Advance of Need

- 4.19 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council would only not follow this guidance if interest rate forecasts and treasury advisor guidance set out that it was more cost effective, **in terms of significantly reduced debt interest charges**, for the Council to borrow for the **approved 3 year capital programme** at a point of time rather than when that expenditure is taking place over that 3 year period. It is unlikely that this will happen however the option should not be closed off. Funds would be invested. The Council's policies in investing the money borrowed, including management of the risks, would be as per normal short term Treasury Investments.

Capacity, Skills and Culture

4.20 **Elected members and statutory officers:** Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring that they fully understand them and can relate them to the strategic objectives and risk profile of the Council.

4.21 **Commercial deals:** Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the Council to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective of the authority before incurring advisor costs. However, following an internal review of the policy, it has been decided that the Council may wish to make purchases which do not make a financial return or may indeed make a loss in the short term. On these occasions a business case will be developed which specifies the non-financial benefits of the investment. These are likely to be regenerative schemes for the greater good of the area with an intended long term impact. The regenerative and redevelopment benefits which will flow from the investment will be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield.

4.22 **Corporate governance:** when investment decisions are to be made, they are to be led by the Council's Director of Finance in consultation with the Corporate Management Team. They will assess the potential investment opportunity using the KPMG finance appraisal model and should they decide it presents a strong opportunity for the Council and complies with the relevant criteria a conditional offer can be made. A business case will then be developed and presented ensuring that once greater detail is included, it makes a satisfactory income yield and/or economic redevelopment and regeneration impact. When the business case is completed, if it is still compliant with the Council criteria, it will be presented to Cabinet for approval before purchase is completed. Once a purchase has been made the Director of Finance will provide quarterly reports in line with financial and monitoring reports on the status of the investment.

Investment Indicators

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4.23 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

4.24 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	0	2	4
Service investments: Loans	0	0	0
Commercial investments: Property	0	0	0
TOTAL INVESTMENTS	0	2	4
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	0	0	0

4.25 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

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Table 4: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	0	0	0

- 4.26 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 5: Investment rate of return (net of all costs)

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.2	4.9	4.6
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
ALL INVESTMENTS	5.2	4.9	4.6

Appendix J – Consultation Results

Bromsgrove District Council - Budget Consultation for 2025/26				
<p>The 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.</p> <p>The survey closed at 12noon on Thursday 2 January 2025. The response rate for the community panel was 48%. There were a total of 278 valid responses received.</p>				
Q no.	Question	Responses	Total Responses	%
Q1 (276)	Are you a resident of Bromsgrove District and/or have a business based here?	Resident of Bromsgrove District	276	100.0%
		Have a business based here	11	4.0%
Q2 (273)	Please tell us where you live or where your business is located. (Please note, if you live and have a business in the District, please only tell us where you live)	Alvechurch South	4	1.5%
		Alvechurch Village	9	3.3%
		Aston Fields	25	9.2%
		Avoncroft	8	2.9%
		Barnt Green & Hopwood	5	1.8%
		Belbroughton and Romsley	24	8.8%
		Bromsgrove Central	27	9.9%
		Catshill North	7	2.6%
		Catshill South	4	1.5%
		Charford	13	4.8%
		Cofton	4	1.5%
		Drakes Cross	2	0.7%
Hagley East	1	0.4%		

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		Hagley West	4	1.5%
		Hill Top	9	3.3%
		Hollywood	3	1.1%
		Lickey Hills	6	2.2%
		Lowes Hill	15	5.5%
		Marlbrook	11	4.0%
		Norton	11	4.0%
		Perryfields	7	2.6%
		Rock Hill	9	3.3%
		Rubery North	6	2.2%
		Rubery South	5	1.8%
		Sanders Park	11	4.0%
		Sidemoor	16	5.9%
		Slideslow	10	3.7%
		Tardebigge	12	4.4%
		Wythall East	3	1.1%
		Wythall West	2	0.7%
Q3 (276)	<p>Which services do you think it is important for the Council to invest in?</p> <p>Please note that Highways are not included as this is a Worcestershire County Council function</p> <p>Please pick your top 3 most important.</p>	Community and Voluntary Sector	39	14.1%
		Community Parks and Open Spaces	103	37.3%
		Community Safety	123	44.6%
		Environmental Sustainability	59	21.4%
		Events and Arts Activities	50	18.1%
		Local Economic Development and Employment	130	47.1%
		Maintenance of the Landscape and Environment	121	43.8%
		Strategic Housing	68	24.6%
		Waste and Recycling	108	39.1%
		Welfare and Financial Support	58	21.0%
		Strongly agree	62	22.5%

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Q4 (276)	Do you agree that the Council should reinvest in technology in order to make services more secure, effective and efficient and to be digital by default?	Agree	115	41.7%
		Neither agree nor disagree	70	25.4%
		Disagree	22	8.0%
		Strongly disagree	7	2.5%
Q5 (275)	Do you agree that the Council should increase investment in temporary accommodation to support homeless families and individuals in district?	Strongly agree	60	21.8%
		Agree	100	36.4%
		Neither agree nor disagree	65	23.6%
		Disagree	30	10.9%
		Strongly disagree	20	7.3%
Q6 (276)	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?	Strongly agree	116	42.0%
		Agree	122	44.2%
		Neither agree nor disagree	32	11.6%
		Disagree	1	0.4%
		Strongly disagree	5	1.8%
Q7 (273)	Do you agree that the Council should be investing in a Bromsgrove Business Improvement District (BID) to bring extra focus into the Bromsgrove Town Centre offering?	Strongly agree	81	29.7%
		Agree	108	39.6%
		Neither agree nor disagree	58	21.2%
		Disagree	16	5.9%
		Strongly disagree	10	3.7%
Q8 (276)	Do you agree that the Council should invest more in our front-line services to cover increases in fuel?	Strongly agree	35	12.7%
		Agree	102	37.0%
		Neither agree nor disagree	115	41.7%
		Disagree	16	5.8%
		Strongly disagree	8	2.9%
Q9 (274)		Strongly agree	64	23.4%
		Agree	103	37.6%

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	Do you agree that the Council needs to involve young people more in decision making and local democracy?	Neither agree nor disagree	71	25.9%
		Disagree	28	10.2%
		Strongly disagree	8	2.9%
Q10 (276)	Do you agree that the Council should invest in greater data and systems support to enable the delivery of improved services and enhance decision making?	Strongly agree	34	12.3%
		Agree	113	40.9%
		Neither agree nor disagree	98	35.5%
		Disagree	28	10.1%
		Strongly disagree	3	1.1%
Q11 (276)	Do you support fees and charges (this excludes parking) rising by 4% to keep them in line with inflation and rising staffing costs?	Strongly agree	21	7.6%
		Agree	90	32.6%
		Neither agree nor disagree	55	19.9%
		Disagree	67	24.3%
		Strongly disagree	43	15.6%
Q12	In order to maintain services, what level of increase to Bromsgrove District Council's proportion of Council Tax do you support?			
Q12a (218)	Increase of 1.99%	Strongly agree	54	24.8%
		Agree	80	36.7%
		Neither agree nor disagree	42	19.3%
		Disagree	20	9.2%
		Strongly disagree	22	10.1%
Q12b (190)	Increase of 2.99%	Strongly agree	38	20.0%
		Agree	49	25.8%
		Neither agree nor disagree	22	11.6%
		Disagree	29	15.3%
		Strongly disagree	52	27.4%

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Q13 (178)	Please let us know your suggestions for investing in the District to increase prosperity and enhance appeal for residents and businesses alike.	This was an open question and the comments will be analysed separately
Q14 (118)	Please let us know any other comments on the budget or ideas for reducing costs or increasing income to ensure Council services remain sustainable.	This was an open question and the comments will be analysed separately

About You

Answering these questions is optional. Any answers are completely anonymous and confidential. The reason why we ask you these questions is so we can:

- Make our council services open to everyone in the district
- Treat everyone fairly and appropriately when they use our services
- In consultations, make sure that we have views from all across the district

The Equality Act 2010 makes these aims part of our legal duties. Your answers help us check that we have met the law and help improve our services.

Q15 (272)	What is your current housing status?	Owner	171	62.9%
		Mortgaged	68	25.0%
		Part rent/part buy	2	0.7%
		Private renting	7	2.6%
		Council tenant	6	2.2%
		Social housing	6	2.2%
		Living with relatives	3	1.1%
		Private renting	8	2.9%
		Other (please specify)	1	0.4%
Q16 (273)	Which of the following best describes your age?	16-19yrs	0	0.0%
		20-29yrs	3	1.1%

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		30-39yrs	22	8.1%
		40-49yrs	27	9.9%
		50-59yrs	51	18.7%
		60-69yrs	75	27.5%
		70-79yrs	70	25.6%
		80+ years	14	5.1%
		Prefer not to say	11	4.0%
Q17 (273)	Do you have any long-standing health condition or disability? (The Equality Act 2010 defines disability as 'a physical or mental impairment that has a substantial and long-term adverse effect on your ability to carry out normal day-to-day activities')	Yes	72	26.4%
		No	177	64.8%
		Prefer not to say	24	8.8%
Q18 (274)	Which best describes your gender?	Female	123	44.9%
		Male	137	50.0%
		Prefer not to say	12	4.4%
		Other (please specify)	2	0.7%
Q20 (273)	Which best describes your ethnicity	White English, Welsh, Scottish, Northern Irish. British	245	89.7%
		Any other White background	6	2.2%
		Mixed or Multiple ethnic groups	4	1.5%
		Asian or Asian British	1	0.4%
		Black, African, Caribbean or Black British Arab	0	0.0%
		Prefer not to say	15	5.5%
		Other ethnic group	2	0.7%
Q21 (272)	Which best describes your religion or belief?	Atheist	28	10.3%
		Buddhist	0	0.0%
		Christian	143	52.6%
		Humanist	9	3.3%
		Hindu	0	0.0%

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		Jewish	0	0.0%
		Muslim	3	1.1%
		Pagan	7	2.6%
		Sikh	0	0.0%
		No religion/belief	50	18.4%
		Prefer not to say	26	9.6%
		Other (please specify)	6	2.2%
Q49 (270)	Which of the following best describes your sexual orientation?	Bisexual	9	3.3%
		Heterosexual	217	80.4%
		Lesbian or Gay	6	2.2%
		Prefer not to say	35	13.0%
		Other (please specify)	6	2.2%