

**SHREWSBURY TOWN COUNCIL
FINANCE AND GENERAL PURPOSES COMMITTEE
2 December 2024**

Officer: Andy Watkin – Head of Resources (RFO)

BUDGET PROPOSALS

Purpose of the Report

The Council annually in January must set its budget for the following financial period (2025/26) along with the precept. The forecast for the current year (2024/25) is also prepared.

This process commences following the October F&GP to start compiling information, gathering thoughts and ideas on services ahead of future meetings, and other impacts to the budget and forecast.

General Principles, implications and assumptions

In order to predict the outturn forecast, the current run rate is used along with experience and current market conditions to arrive at a forecast. The forecast leads to the production of the budget and assumptions applied increasing or decreasing revenue items. Factors to consider are:

a) Forecast Outturn of the 2024/25 budget

Apply current run rate and factor in seasonal and trends.

Pay award agreed and applied variable rate depending on pay 2.5% – 5.8%

Lower interest rates will lead to lower returns for balances held

b) Impact of Spending Review and local budgetary pressures

From the recent spending review, the main implication was in relation to National Insurance Employer contributions. The rate increases and the threshold for paying lowered, Councils which receive direct government funding will be exempt from the increase or receive a refund, this does not apply to Town and Parish Councils and will cost approximately £56k.

There appears no substantial additional funding, therefore a real terms reduction for the sector which will impact Shropshire Council and trickledown to STC. More unitary councils are making comments they are perilously close to issuing a section 114 notice.

Business Rates multiplier for 25/26 frozen at 49.9p for small Business. The standard multiplier increased by CPI to 55.5p.

c) Inflationary pressures and impacts on the revenue budget

Inflation per ONS statistics is in decreasing from last year's 4.7% to nearer the Bank of England target 2% but has increased back up to 2.3% and forecast to remain around this level for 2025. The energy price cap is set to rise by 1%, and the increase in employers NI from April 25 will also feed into higher costs and keep inflation above the target and reduce likelihood of interest rate decreases.

The Council's basket of goods is different, and comparison of prices over the past year is as follows when compared to last year:

- Diesel/oil -14%
- Petrol -12%
- Waste 0%
- Seeds/ferts 4.24% (average)
- Maintenance 1.78% (average)

Apply 4% for seeds/ferts, 2% increase in maintenance and repair costs and 0% change for fuel and 2% across the other costs unless an external provider has more accurate figures such as WME for gas – 5.8% and electricity –7.2%, and business rates 0%.

The pay award is agreed nationally by the unions, no indication given as current year only agreed but general estimate of 3% should be included.

Capital projects and use of reserves will reduce balances and investment returns compared to likely forecast.

d) Interest rates

The Bank of England base rate appears to have peaked at 5.25% and after two reductions is currently 4.75%. Whilst further reductions in 2025 are expected The Bank of England has indicated they will be gradual to make sure inflation stays closer to its target.

Bond yields are decreasing, and a lower rate should be expected and factored in and applied to investment returns.

e) Tax base calculations

The tax base for 25/26 if ratified by Shropshire Council cabinet on 4th December 24 would increase from 26,648.74 to 27,453.97 a 3% increase. The current band D rate is 66.42, and was increased by 4.99% last year a £3.16 increase.

Proposed Fees & Charges

The Bank of England has an inflation target of 2% and this has been applied allowing for rounding with the following exceptions:

- Small decrease of Major events and small increase in Minor events, overall no impact. Tightening up of days allowed for set up and break of events and penalty.
- Non operating day for the funfairs set in fees and charges at rate to eventually equal 50% of daily rate and 2 days allowed for both setup and break.

Revenue expenditure items from committees/members for consideration

Ideas for changes, improvements and reductions to services sought from the public and members.
Suggestions received to date:

- No formal suggestions, however from discussions with members any pressing matters have been dealt with from revenue budgets, other than completion of bus shelters
- The Visioning Project has nearly been concluded and a sum of money needs to be allocated specifically to deal with issues raised.
- Capital projects can be considered for allocation of earmarked reserves available.

RECOMMENDED:

- (i) **General principles implications are noted and agreed and applied to forecast and budget**
- (ii) **Fees & Charges approved**