

Open

## Cabinet

**Additional paper:**

**Agenda Item 7.1 Medium Term Financial Strategy 2025-28  
Appendix 4 – Detailed funding analysis: Local  
Government finance settlement**

6pm  
Wednesday, 18 December 2024  
Council Chamber  
Wyre Forest House  
Finepoint Way  
Kidderminster



**LOCAL AUTHORITY REVENUE FINANCE SETTLEMENT FOR 2025-26**

- 1.1 The Provisional Settlement was published today, 18<sup>th</sup> December 2024. The assumptions made in the published report are based on the autumn budget and the Local Government Finance policy statement made on the 28<sup>th</sup> November 2024 due to the late release of the provisional settlement. Initial analysis suggests that the total funding at provisional settlement is largely in-line with the expectations in the published report, but some grant allocations were not provided, including the NIC compensation grant. As such, an interim update is not being provided this evening and a final update, incorporating all funding allocations including the final settlement figures will be included in the February reports. Key assumptions are set out in section 3 of the report. Whilst overall government funding is in line with the assumptions, more grant will be received via the recovery grant than had been expected and £nil from the funding floor.
- 1.2 The table below identifies the overall estimated position in relation to the Government Grant, Business Rates, New Homes Bonus and Council Tax income and one-off grants in this report. All figures are subject to confirmation when the Final Settlement figures are issued.

**Total Funding including RSG, New Homes Bonus, Business Rates and Council Tax**

Year	Revenue Support Grant £	Business Rates £	New Homes Bonus £	Council Tax £	One-Off Grants* £	Total £
2016-17	1,222,300	2,802,660	2,356,450	6,720,820		13,102,230
2017-18	553,290	2,920,240	1,910,300	6,783,860		12,167,690
2018-19	100,680	3,282,070	1,272,700	7,004,100		11,659,550
2019-20	0	3,997,920	906,100	7,234,190		12,138,210
2020-21	0	3,040,723	261,530	7,445,500		10,747,753
2021-22	0	3,266,763	242,510	7,578,210	121,190	11,208,673
2022-23	0	3,354,576	463,760	7,848,010	349,918	12,373,316
2023-24	150,380	4,011,276	240,030	8,205,460	804,240	14,278,146
2024-25	160,340	4,408,470	285,060	8,491,310	706,970	15,090,420
2025-26	162,720	4,973,800	312,990	8,855,000	1,671,000	15,276,260
2026-27	0	3,631,940	0	9,259,240	1,745,240	12,891,180
2027-28	0	3,784,530	0	9,643,250	971,750	13,427,780

\* Includes: Services Grant, Lower Tier Services Grant, Transitional Grant, Funding floor and Recovery Grant

**New Homes Bonus**

- 1.3 New Homes Bonus funding will be offered for the final time in 2025-26 with no further entitlement to grant in future years. This council's entitlement to New Homes Bonus has diminished significantly since 2019-20 as shown below.

## Agenda Item 7.1 APPENDIX 4

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
NHB Forecast for new MTFs	Total Budget	Total Budget	Total Budget	Total Budget	Total Budget	Total Budget	Total Budget
	£	£	£	£	£	£	£
NHB YEAR 6 2016/17 PAID UNTIL 2019/22 (4 yrs)	673,410						
NHB YEAR 7 2017/18 PAID UNTIL 2020/21 (4 yrs 80%)	30,730	30,730					
NHB YEAR 8 2018/19 PAID UNTIL 2021/22 (4 yrs 50%)	138,570	138,570	138,570				
NHB YEAR 9 2019/20 PAID UNTIL 2021/22 (4 yrs 50%)	63,390	63,390	63,390	63,390			
NHB YEAR 10 2020/21 PAID ONE YEAR ONLY		28,840					
NHB YEAR 11 2021/22 PAID ONE YEAR ONLY			38,000				
NHB YEAR 12 2022/23 PAID ONE YEAR ONLY				400,370			
NHB YEAR 13 2023/24 PAID ONE YEAR ONLY					240,030		
NHB YEAR 14 2024/25 PAID ONE YEAR ONLY						285,060	
NHB YEAR 15 2024/25 PAID ONE YEAR ONLY*							312,990
	<b>906,100</b>	<b>261,530</b>	<b>239,960</b>	<b>463,760</b>	<b>240,030</b>	<b>285,060</b>	<b>312,990</b>

\* provisional allocation subject to confirmation

- 1.4 The arrangements for reallocation of New Homes Bonus (NHB) funding pose a serious challenge to future financial sustainability for this and many other councils as the Council uses the allocation to fund its revenue activities, including important work on economic regeneration and development.

Since introduction of the scheme housing growth has had a positive impact on the council tax base and has given rise to NHB as shown in Table below:

Year NHB Paid	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Additional Properties	192	227	227	186	206	403	397	394	365
Change in Long term Empties	2	21	21	14	- 2	60	- 64	- 67	- 48
<b>Net New Properties for NHB</b>	<b>194</b>	<b>248</b>	<b>248</b>	<b>200</b>	<b>204</b>	<b>463</b>	<b>333</b>	<b>327</b>	<b>317</b>
<b>Change for 2017/18</b>									
Number of Band D Equivalents	176	244	209	159	187	241	304	304	320
Deduct Baseline 0.40%	163	165	166	167	168	168	171	172	172
<b>Net New Properties for NHB</b>	<b>13</b>	<b>79</b>	<b>43</b>	<b>- 8</b>	<b>19</b>	<b>73</b>	<b>133</b>	<b>132</b>	<b>148</b>
Cumulative NHB Grant £000	1,910	1,273	906	262	240	464	240	285	313

\*no funding assumed until Provisional one-year settlement announced, one year only allocation

Payments of NHB grant are based on additional properties in the prior 12 months so additional properties refer to performance in prior year.

- 1.5 The amount of NHB (and also council tax) that the Council receives is sensitive to the timing of housing completions and a significant proportion of future income is therefore dependent on receipt of large-scale residential applications and the pace at which developers build-out their sites. The rate of growth is likely to be impacted by the state of the economy and the assumed growth reflects market conditions. At present, it has been assumed sum of £313k will be received.

### Business Rates

- 1.6 Business Rate projections based on a 50% Herefordshire and Worcestershire pooling agreement being in existence in 2025-26 are shown in the table below. These take into account the Council's share of forecast growth from major redevelopments, appeals, reliefs, economic regeneration work, other market intelligence and assume that government policy decisions affecting the rate of business rates multipliers are fully funded by extra S31 grant. These

estimates may require updating following the final confirmation/decision regarding Pool membership and also completion of the statutory 2025-26 estimates (NNDR1 return) for MHCLG in January 2025. The table below shows the revised assumptions and growth assumed in this budget report.

**Revised Value of Retained Business Rates**

Year	Retained Business Rates	Growth	Average Annual Growth
	£	£	%
2013-14	2,435,300		-
2014-15	2,300,280	(135,020)	-5.5%
2015-16	2,547,610	247,330	10.8%
2016-17	2,802,660	255,050	10.0%
2017-18	2,920,240	117,580	4.2%
2018-19	3,282,070	361,830	12.4%
2019-20	3,997,920	715,850	21.8%
2020-21	3,040,723	(957,197)	-23.9%
2021-22	3,266,763	226,040	7.4%
2022-23	3,354,576	87,813	2.7%
2023-24	4,011,276	656,700	19.6%
2024-25	4,408,470	397,194	9.9%
2025-26	4,973,800	565,330	12.8%
2026-27	3,631,940	(1,341,860)	-27.0%
2027-28	3,784,530	152,590	4.2%
<b>Total</b>	<b>46,973,628</b>	<b>1,196,640</b>	<b>2.5%</b>