South Gloucestershire Council

Budget 2024/25 Consultation Document

South Gloucestershire Council

Delivering for you

The financial challenge we face

Like councils up and down the country, over recent years, our finances have been stretched by rising costs, reduced funding and inflation, which gives us less freedom to prioritise spending as we – and you – might like us to. Our draft budget does not propose to make new savings at this time, but provides further details of savings and additional income that were approved in the budget in February 2023.

The delivery of these savings and the generation of new income is assumed as the starting point for the draft budget.

Our updated financial position

Each year, as well as agreeing our budget for the year ahead, we update our Medium-Term Financial Plan (MTFP), which considers our likely financial position for the coming years. Since February 2023, when this year's budget was agreed, through factors outside the council's direct control, our overall financial position for the years ahead has worsened. We estimate we are approximately £3m worse off in 2024/25 than we had assumed and around £2m in 2025/26, which would result in shortfalls of £7.7m and £4.8m for those financial years.

The draft budget would deliver a balanced position for the coming year, but only through using all the council's remaining backup funds (reserves), and only if we meet our previous savings and income targets.

However, this leaves no further one-off reserves to support us from 2025/26. Every effort will need to be made to spread reserve usage over 2024/25 and 2025/26 in the final budget by taking all opportunities to improve the 2024/25 position.

The council will need to identify around £5m of new savings or new income for 2025/26, rising to £11.6m by 2027/28, based on current projections of pay and price inflation, assuming no additional funding is provided by Central Government. These estimates are after the assumed implementation and delivery of the savings programme and service level options which remains the fundamental backbone of the MTFP.

Work is ongoing to deliver the current savings plans and needs to be prioritised. The approach to the identification and delivery of additional savings will be developed over the coming months as well as considering opportunities to bring forward existing savings and income options.

The council is keen, through this consultation process, for residents and other stakeholders to clearly understand the extent of the financial challenges and the measures that will need to be considered to balance the books.

This year we are consulting on the details of how we implement two packages of proposals – the savings targets were agreed last year, now we need to decide how these are implemented. These cover options for:

- reducing the cost of the Local Council Tax Reduction Scheme by £400k from 2024/25 and
- generating £1m of additional income from September 2024 rising to £2m in 2025/26.

It is critical these savings are delivered to ensure the council's financial sustainability.

Options for generating additional income

Cutting spend on services has left us having to make incredibly difficult decisions about what we need to do less of, stop doing or pass on responsibility for. In the consultation for last year's budget, local people told us they wanted us to increase what we earn to lessen the cuts we need to make to services.

We have now progressed this work and identified options for how we might generate additional income by 2025/26 to offset current shortfalls. This includes increasing what we charge for some services to ensure they cover their costs and charging for things which people have not had to pay for previously.

In identifying options, we have prioritised measures which are already in place and working well in other areas of the country, and ensuring individuals pay a fair market cost for subscription type services rather than those charges being subsidised by taxpayers. We have also considered the role that charges can play in encouraging positive behaviours, for example in driving environmental benefits.

The options under consideration are:

Measure	Potential income
Introducing car parking charges. People are used to paying for on- and off-street parking in most other local authority areas, but South Gloucestershire Council does not currently charge. We will consider a range of options including long stay / short stay parking charges, Pay & Display, parking bays and resident permit schemes.	£1.5m to £2m per year
Increasing the cost of the green waste subscription service to £60 per year for 2024/25. This is similar to what is charged by neighbouring councils and allows us to cover the costs of providing the service. The annual cost would then increase in line with inflation going forward.*	£900k in 24/25, rising to £1.3m over the next 4 years
Introducing a £10 charge to cover the costs of processing Blue Badge applications. South Gloucestershire Council remains an outlier in providing this service free of charge.	£46k per year
Extending the term for Exclusive Rights to Burial from 50 to 60 years. This step, which brings us into line with what happens elsewhere, would increase the fee paid by funeral directors by approximately 20%.	£35k per year
Increase land charges to match the average people pay in other areas when they are purchasing a house. Again, this step is about charging what it costs us to provide the service.	£20k per year

* We are consulting on wider changes to our waste service separately, please go to https://consultations.southglos.gov.uk/waste_less/consultationHome for more information.. Those proposals focus on reducing the environmental impact of the service and balancing our costs with the available funding.

Options for reducing the cost of the Local Council Tax Reduction Scheme

In common with every Local Authority across the country, South Gloucestershire Council operates a scheme which reduces the amount which low-income households pay in council tax. Currently, 5,600 working age households qualify for reductions to their bills, with the level of reduction determined by their financial circumstances.

As part of our annual budget setting process last year, we consulted with the public on a proposal to change how the scheme works with a view to reducing costs by £400,000. The measure was supported by councillors and incorporated into a programme of savings to be taken forward from the financial year 2024/25.

We sought independent guidance on the best ways to reduce costs and have identified two preferred options.

Option 1: Include Universal Credit in calculations of income. A proportion of the income individuals receive from Universal Credit (UC) payments would be included in the calculations we use to assess what level of reduction a household receives (currently UC income is disregarded).

This would be on top of what we already consider including earnings from employment and from a range of benefits including child benefit, child tax credit, income from contributions-based benefits such as employment and support allowance contributions based. This would potentially significantly reduce the level of discount Universal Credit recipients currently get off their council tax bills.

Option 2: An adjusted banded scheme considering earnings only - and not income from benefits (both Universal Credit and legacy benefits*). Under this option, Universal Credit recipients would see smaller percentage reductions to their discounts compared to Option 1, but all low-income households would be impacted. We would also simplify which income sources are included when calculating CTR entitlement; reductions would be determined solely on earnings from employment. The income bands used to determine discounts would be adjusted accordingly.

Through this consultation, we've tried to explain the pros and cons of each approach to help you make an informed decision about which you think is preferable.

The options explained

The Council Tax Reduction scheme is very complex. It is designed to provide greatest support to those who are least able to afford council tax. Bands are set based on weekly income and each band has a different level of discount applied (currently between 10%-80%). Weekly income is calculated by combining household income including earnings from employment and money received through certain benefits. The cost of the scheme will be cut by reducing how much of a discount low-income households get off their council tax bill.

The options set out how four variables will be adjusted to deliver those cuts. Those variables are:

A. What constitutes income – specifically, which benefit payments are included in the calculation.
B. The income thresholds which are used to determine bandings.
C. The percentage discount applied to each banding.
D. The minimum earnings from employment permitted as part of income calculation (income disregard).

Option 1 achieves the cost savings by adjusting variable 'A'. Including Universal Credit in the calculation of income pushes Universal Credit recipients into different bandings (or out of the scheme entirely) so they receive a lower discount on their council tax bill (or no discount in the case of those taken out of the scheme).

Option 2 achieves cost savings by adjusting all four variables. Following this approach, income would be determined purely based on earnings from employment. This would include all earnings from employment (after tax and National Insurance deductions), removing the £20 per week disregard we currently include in calculations (variable D). Income boundaries would be adjusted accordingly, and the percentage discounts applied for each banding would be reduced.

In this model, all low-income households would be worse off than they are now, but those who receive Universal Credit would be significantly better off than they would if option 1 was adopted.

The relative merits of the two options

Option 1		**Option 2**	
Pros	Cons	Pros	Cons
• Considers a broader range of income in making decisions about council tax reductions • It could be argued that including some level of Universal Credit income provides greater parity between those who receive UC and those who don't • Potentially achieves higher savings for the council	• Universal Credit recipients would face a potentially quite significant increase in their council tax bills • The higher increase could push more people into council tax arrears, potentially reducing council tax collection rates	• Distributes the impact across all low-income households, so most households don't face such a large increase in their council tax liability. This minimises the number of people pushed into council tax arrears	• More people (all low-income households) would be impacted, but Universal Credit recipients would be impacted by less than they would with option 1 • Council tax reductions would be based solely on earnings from employment

Should option 1 be preferred, there is a decision to be made about what proportion of Universal Credit income should be considered in calculations of income. Four options are under consideration: 25%, 50%, 75% or 100% of Universal Credit payments.

The financial impacts of the two options for households

Figures show the weekly change in council tax discount for the average household receiving the different benefits for the different options.

	Option 1a. Including 100% of UC income	**Option 1b. Including 75% of UC income**	**Option 1c. Including 50% of UC income**	**Option 1d. Including 25% of UC income**	**Option 2**
Universal Credit	-£10.97	-£6.65	-£5.88	-£4.19	-£1.07
Legacy benefits*	£0	£0	£0	£0	-£1.59

All options have broadly the same administrative burden as the current scheme and so are anticipated to be possible to be delivered within existing council resource.

* Universal Credit was brought in to replace six 'legacy benefits'; Housing Benefit, income-related Employment and Support Allowance (ESA), income-based Jobseeker's Allowance (JSA), Child Tax Credits (CTC), Working Tax Credits (WTC) and Income Support. Universal Credit has been rolled out in phases, so some groups and individuals still receive these legacy benefits.

Questions

I'm a pensioner; would this apply to me?
No. There is a separate, national scheme for council tax reductions which applies to people of state pension age. This scheme is not due to change and is not included in this consultation.

Worked examples showing the implications of the different options for two typical households.

For simplicity, for each of these examples, we have assumed weekly council tax bills of £25.

Example 1
Miss O and Mr R are in receipt of:

- Earnings of £100 per week
- Universal Credit of £200 per week out of a maximum possible award of £260 per week.

Under the current scheme, only earnings are included in the assessment of income. The first £20 of income is also not included in our calculations (this is referred to as an earnings disregard). Therefore, their total weekly income for calculation of Council Tax Reduction is £100 - £20 = £80 per week.

This currently places them in band 1 of the scheme, and so their CTR entitlement will be 80% of their weekly council tax liability of £25.

Therefore, Miss O's and Mr R's entitlement to CTR is 80% of the above liability –
£25 x 80% = **£20** per week reduction in council tax.

How Miss O and Mr R will be affected by the different options:

Option 1: Universal credit income changes

a. Include **100%** of UC income
   Total income: £280 per week. (£80+£200). This would put them in band 5 entitled to a 10% reduction = **£2.50** per week reduction in council tax liability.
b. Include **75%** of UC income
   Total income: £230 per week. (£80+£150). This would put them in band 4 entitled to a 20% reduction = **£5** per week reduction in council tax liability.
c. Include **50%** of UC income
   Total income: £180 per week. (£80+£100). This would put them in band 3 entitled to 30% reduction =**£7.50** per week reduction in council tax liability.
d. Include **25%** of UC income
   Total income: £130 per week. (£80+£50). This would put them in band 2 entitled to 50% reduction =**£12.50** per week reduction in council tax liability.

Option 2: Only include earnings (removing £20 earnings disregard)

Total income: £100 per week.
Falls into band 3 of the proposed scheme so entitled to 40%
£25 x 40% = **£10** per week reduction in council tax liability.

Example 2
Mr and Mrs P are in receipt of:

- Employment and Support Allowance (ESA), contributions based on £84.80 per week
- Earnings of £150 per week

Under the current scheme, earnings and ESA are included in the assessment of income. The first £20 of income is also not included in our calculations (this is referred to as an earnings disregard). Therefore, their total weekly income for calculation of CTR entitlement is £84.80 + £150 - £20 = £214.80 per week.

This currently places them in band 4 of the scheme, and so their CTR entitlement will be 20% of their weekly council tax liability of £25.

Therefore, Mr and Mrs P's entitlement to CTR is 20% of the above liability –
£25 x 20% = **£5** per week reduction in council tax.

How Mr and Mrs P will be affected by the options:

Option 1: Universal credit income changes

a. Include **100%** of UC income
   No universal credit to include so no change to entitlement. **£5** per week in CTR entitlement
b. Include **75%** of UC income
   No universal credit to include so no change to entitlement. **£5** per week in CTR entitlement
c. Include **50%** of UC income
   No universal credit to include so no change to entitlement. **£5** per week in CTR entitlement
d. Include **25%** of UC income
   No universal credit to include so no change to entitlement. **£5** per week in CTR entitlement

Option 2: Only include earnings (without £20 earnings disregard)
Total income: £150 per week.
Falls into band 5 of the proposed scheme so entitled to 15%
£25 x 15% = **£3.75** per week reduction in council tax liability.

Council tax options for 2024/25

In February 2023 the council approved its 2023/24 revenue budget confirming a general council tax increase of 2.99% along with a 2% precept for adult social care (a separate charge, which can only be spent on adult social care services). It also approved outline budgets for the following three years (up to 2026/27) to help future planning. The current limit by which local government can increase council tax (without a referendum) for 2024/25 remains in line with 2023/24 - 2.99% on general council tax and 2% on the precept for adult social care.

The Chancellor is due to present his Autumn Statement on 22nd November and recognising the financial challenges faced by local authorities up and down the country, there may be further updates made to the limits in 2024/25.

Our planned option for 2024/25 is a rise of 2.99% in council tax, which would contribute £5.4m towards local council services and a 2% rise in the adult social care precept would contribute a further £3.6m (£9.0m in total). This would mean an increase of approximately £87.43 per year (or equivalent to £7.29 per month) for a band D household.

Our draft budget is built on the assumption that we progress with the 4.99% maximum increase permitted without a referendum. Any council tax level below this would require us to consider more significant savings.

Please note: the council has no control over the council tax collected on behalf of the Police, Fire Service or parish and town councils. Each of these bodies will make their own independent decisions.

We would like your views on the level of council tax we should consider for 2024/25:

- **Option 1**: To increase council tax in 2024/25 by 4.99% (2.99% general council tax and 2% adult social care precept). This would be an increase of £87.43 per year (£7.29 per month) for a band D household. This would raise an additional £9 million.
- **Option 2:** To increase council tax in 2024/25 by 2.99% (1.99% general council tax and 1% adult social care precept). This would be an increase of £51.39 per year (or £4.28 per month) for a band D household. This would raise an additional £5.2 million.
- **Option 3:** To increase council tax in 2024/25 by 1.99% (1.99% general council tax and 0% adult social care precept). This would be an increase of £34.30 per year (or £2.85 per month) for a band D household. This would raise an additional £3.5 million.
- **Option 4:** To freeze council tax in 2024/25 at the current level. While the council is committed to protecting frontline services as much as possible, if council tax is not increased, the council would need to make new service cuts of around £9m per annum.

Prioritising the new Inequalities Strategy

In the new year, we will be launching a new Tackling Inequalities Strategy. Inequalities, in other words, unequal and unfair opportunities and outcomes, have a significant impact across all areas of life and affect everyone. Evidence shows that inequalities in South Gloucestershire can be persistent and, in some cases, are growing.

Our evidence has identified 10 broad Priority Areas in which it will be key for us to ensure our work tackles inequalities. These 10 Priority Areas are the areas where national and local research, and our engagement and consultation activity with organisations, groups and individual residents all combine to evidence the largest and most significant inequalities, which ultimately negatively impact upon individual residents and their families, and our area as a whole.

In this consultation, we are asking which of these 10 Priority Areas you would like to see us take a particular focus on in our work.

The areas are:

- Educational attainment and experience

- Hate crime
- Employment
- Poverty and financial hardship
- Housing
- Accessibility, particularly in terms of digital inclusion, transport, the built and natural environment, and access to the wider economy
- Health (including mental health)
- Adult social care
- Children's social care
- Tackling inequalities as part of work to address the Climate and Nature Emergency