
Medium Term Financial Strategy

Document Control

Document Ref:		Date Created:	28.12.2023
Version:	3.0	Date Modified:	31.1.2024
Revision due			
Author:	Joseph Holmes	Sign & Date:	
Owning Service	Finance & Property		

Change History

Version	Date	Description	Change ID
1.0	28.12.23	Initial Draft from JH/ME	
2.0	10.1.24	Post Corporate Board	
3.0	25.1.24	Post Operations Board	



Contents REQUIRES UPDATING PAGE NUMBERS

1. Foreword.....	3
2. Executive Summary	3
3. Introduction.....	4
4. Medium Term Financial Plan.....	5
5. Priorities	10
6. Actions.....	10
7. Implementation.....	11
8. Conclusion	11
Glossary.....	12
Appendices.....	12
Other relevant documentation	12
Appendix A – Scenario planning.....	13

1. Foreword

- 1.1 The financial position for Local Government is one of increasing pressure. The recent months have seen an unprecedented number of Councils either issue a s114 report¹ or raise concerns that they will need to do so in the short or medium term. Rising costs from delivering adult social care, where there have been significant inflationary pressures and increased complexity (and so unit cost) in delivering care; growing costs in children's social care, with a care market that has seen major price rises²; increased costs through Home to School Transport and the increased costs to the High Needs Block in the Dedicated School's Grant; and the growing costs of meeting housing needs across the country and especially in respect of homelessness and temporary accommodation provision.
- 1.2 West Berkshire Council (WBC) is not immune to these pressures. As reported during the current financial year, WBC is highlighting an in year overspend of £3.2m. This overspend is almost entirely driven by the cost pressure highlighted above and are seen very much as a part of the national cost pressures on Councils. The difference for WBC is that reserves at the Council are comparatively much lower than other similar Councils. With a significant overspend in 2022-23 where pressures on the General Fund reserve³ were reduced by utilising almost all earmarked reserves, especially risk reserves, to keep the General Fund reserve at £7.2m which is just above the minimum level set (£7m) by the section 151 officer (the Council's Chief Financial Officer).
- 1.3 The in year overspend will put the general fund level below the minimum level set; this is highlighted further in the Revenue Budget papers for 2024-25, but for the Medium Term Financial Strategy (MTFS) the key objective is for financial resilience in the medium term for the Council, to avoid a s114 notice being issued and to ensure that there are sufficient levels of general fund reserves to enable greater financial sustainability to deliver the new Council Strategy.

2. Executive Summary

- 2.1 The Medium Term Financial Strategy (MTFS) highlights the financial planning, high level proposals, and sensitivity analysis that underpins the financial resources that deliver the Council Strategy (2023-27). The MTFS is in itself subservient to the Council Strategy, but in its own right attempts to provide the financial planning framework for the coming years as well as act as guide to the organisation in developing projects and schemes to deliver financial balance and the Council Strategy.
- 2.2 The MTFS looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2024-25, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale

¹ A report to Full Council by the Council's Chief Finance Officer (s151 officer) that the Council's future financial outflows will exceed resources available

² [Profiteering fears as global investment firms increase stakes in England's child social care | Social care | The Guardian](#)

³ The overall unallocated reserve for the Council

and profile of this strategy has an impact on the overall financial position of the Council.

- 2.3 The longer term outlook for financial planning at WBC is dominated by a range of factors; firstly, the macro-economic position of the country and the impact that this has had, and will have on the UK economy including inflation and interest rates and Government policy on Local Government finance; secondly the impact from any forthcoming Government reforms, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2025-26 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty.

3. **Introduction**

3.1 Purpose

- 3.2 The purpose of the MTFS is to set out the financial planning assumptions and resources available to the Council to deliver the Council Strategy. The MTFS includes both revenue and capital implications. The MTFS attempts to balance the resources known, and estimated, to be available with the ambitions of the Council Strategy. There is always a calculation to make to even out the additional and current investment in the Council Strategy objectives against the cost of doing so and the pressure that puts on the MTFS.

3.3 Vision

3.3.1 The Vision of the MTFS is:

"To ensure that the Council has the financial resources available to work together to make West Berkshire an even greater place in which to live, work and learn".

3.4 Dependencies

- 3.4.1 The delivery of the MTFS cannot occur through the Council alone. A significant proportion of the Council's budget is delivered through partners in the private, public and voluntary sectors. The Council's proposals for future financial stability will involve all of these partners including where there are proposals to invest in infrastructure, deliver core services and transform how the Council delivers its services in the future.

- 3.4.2 This fair funding review was originally due to impact on the 2020-21 budget but is now most likely to come into effect from 2026-27 at the very earliest. The following assumptions have been made in the MTFS:

- That the fair funding review and business rate baseline reset does not occur until 2026-27 at the earliest (it has been confirmed that it will not take place for 2024-25) and it is assumed that within the MTFS the impacts are net neutral given there is so little information on what these might incorporate post the forthcoming General Election
 - Adult Social care (ASC) funding remains in the longer term with a nil impact on WBC from the proposed care reforms in future years
 - New Homes Bonus, Services Grant and the 'funding guarantee' are removed but replaced with a funding system that delivers equivalent levels of reward to 2024-25 in future years
-

- The assumed permitted Council Tax increases remain at 2.99% and ASC Council Tax precept levels at 2% - any authority proposing an increase above these levels must hold a local referendum
- Inflation remains at 2% in the longer term – this is in line with the latest Office of Budget Responsibility forecasts⁴

4. Medium Term Financial Plan

4.1 The MTFP is supported by a Medium Term Financial Plan (MTFP). This MTFP sets out the financial planning assumptions and is included below:

Figure 1.1 – MTFP

2023/24		Medium Term Financial Plan (MTFP)	2024/25	2025/26	2026/27	2027/28
£m	Line ref		£m	£m	£m	£m
2.99%		Council Tax income	2.99%	2.99%	2.99%	2.99%
2.00%		Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
117.5	1	Council Tax (incl. ASC)	124.2	131.2	138.6	146.3
27.3	2	Retained Business Rates	29.9	30.9	31.8	32.8
7.3	3a	Adult Social Care BCF and iBCF ringfenced funding	8.5	8.7	8.8	9.0
6.8	3b	Social Care Grant	8.9	8.4	8.4	8.4
1.2	3c	ASC Market Sustainability & Improvement Fund	2.6	1.8	2.4	2.4
0.3	3d	ASC discharge fund	0.7	0.2	0.0	0.0
1.1	4a	New Homes Bonus	0.7	0.7	0.7	0.7
0.7	4b	Services Grant	0.1	0.1	0.1	0.1
0.3	4c	Other non-ringfenced grants	0.4	0.0	0.0	0.0
0.0	4d	Funding floor guarantee grant	2.0	0.0	0.0	0.0
1.8	5	Collection Fund deficit (-)/ surplus	-3.0	0.0	0.0	0.0
164.3	6	Funds Available	175.1	181.9	190.9	199.8
141.2	7	Base budget after adjustments	157.9	165.4	172.3	180.1
5.3	8a	Pay inflation	4.6	2.1	2.3	2.3
4.9	8b	Contract inflation and non pay inflation	1.0	1.4	1.9	2.1
10.1	8c	Modelled growth	12.4	5.0	5.0	5.0
0.0	13b	Cost of ASC reforms	0.0	1.8	0.6	0.0
2.3	9a	Investment in Council Strategy priorities	1.2	0.6	0.7	0.8
1.3	9b	Investment due to Covid-19	0.0	0.0	0.0	0.0
1.4	9c	Other investment	0.9	1.2	1.6	1.8
0.6	9d	Capital financing	1.6	-0.1	1.4	1.8
-9.1	10	Savings, transformation and income proposals agreed	-14.5	-2.0	-1.0	-1.0
0.0	10b	Savings, transformation and income gap	0.0	-3.0	-4.7	-3.5
157.9	11	Annual Budget Requirement	165.3	172.3	180.1	189.4
0.8	12	One off investment/savings	-0.7	-0.6	0.4	0.4
158.8	13	Net Budget Requirement for Management Accounting	164.6	171.8	180.5	189.8
7.3	14	Adult Social Care BCF and iBCF ringfenced funding	8.5	8.7	8.8	9.0
166.1	15	Budget Requirement	173.1	180.4	189.4	198.8
-1.5	16a	Use of Earmarked Reserves	0.0	0.0	0.0	0.0
0.0	16b	Use of Transformation Reserve	0.0	0.0	0.0	0.0
-0.3	16c	Use of Collection Fund Reserves	0.0	0.0	0.0	0.0
0.0	16d	Increase in reserves	2.0	1.5	1.5	1.0
164.3	17	Budget Requirement after use of reserves	175.1	181.9	190.9	199.8
		<i>£10k roundings may apply</i>				

4.2 The MTFP highlights the need for cost base reductions of just under £30m over the next four years and is based upon a number of assumptions which are considered below.

⁴ [CP 944 – Office for Budget Responsibility – Economic and fiscal outlook – November 2023 \(obr.uk\)](https://obr.uk)

Figure 1.2

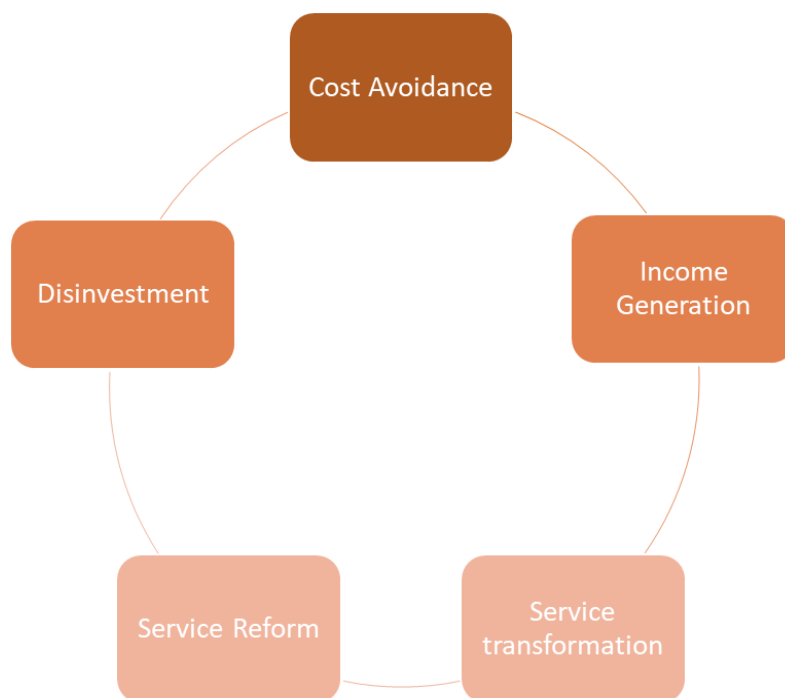
Ref	Item	Commentary
1a	Council Tax Income	This is the amount of Council Tax (excluding the ASC precept, see below) raised. A 1% change in the Council Tax base ⁵ or Council Tax levied equals approximately £1m. Council Tax provides 60% of the Council's funding excluding fees and charges (71% with the ASC precept). Any increase of this number above 2.99% must be the subject of a public referendum.
1b	Adult Social Care Precept	A specific element of Council Tax, with a maximum increase of 2% allowed for 2023-24, to help provide funds for Adult Social Care. It has been assumed the ASC precept is set at a maximum of 2% so an assumption that 2% will be allowed throughout the MTFS period has been made.
2	Retained Business Rates	The Council collects approximately £100m p.a. of business rates, and are allowed to retain some of this through a Government controlled scheme. The amount left over for WBC after payments to the Government is £30m. If business rates increase through new growth in the value of business rates, the Council retains approximately 25%, and retains 100% of all renewable energy schemes.
3a	ASC BCF / I-BCF ring-fenced funding	This is the Adult Social Care (ASC) Better Care Fund (BCF) or Improved Better Care Fund (iBCF). This income is exactly matched by expenditure later in the MTFS and is ring-fenced to support the integration of care services with NHS partners.
3b/c/d	Social Care Grants	Non ringfenced grant from Government (3b) with 3c and 3d implied non ringfenced but with some information to be determined by Government on what activity these support.
4a	New Homes Bonus	The New Homes Bonus is a scheme from the Government since 2010 that allows Councils to keep the equivalent band D Council Tax on all additional homes built in the district for one year.
4b/c/d	Services grant and other non-ringfenced grants	Services Grant – assumed to continue in some form in future years though to be determined by Government.
5	Collection Fund (change to taxbase)	This is the surplus or deficit on 2023-24 Council Tax and business rates income budget versus the expected actual income. Councils do not account for this in the year it occurred, but in the subsequent year.

⁵ the amount of properties in the district adjusted for the Council Tax Reduction scheme and discounts

Ref	Item	Commentary
6	Funds available	Total non-ring-fenced income available, excluding fees and charges.
7	Base budget after adjustments	The budget from the previous year including £385m expenditure, £193m ring-fenced grant income and £33m income from fees and charges.
8a	Pay inflation	Increased costs due to any pay awards (2.5% assumption 2024-25), increased employer pension costs and incremental pay changes.
8b	Contract inflation & non-pay inflation	The amount of funds set aside for key budgets that have a contractual inflation element; the most significant being the Waste PFI (Private Finance Initiative). Non-pay inflation relates to energy costs.
8c	Modelled budget growth	Increases to demand led services through estimated increases in client numbers and/or complexity.
9a	Investment in Council Strategy priorities	Funding investment to deliver the Council Strategy.
9b	Investment – Covid-19	Ongoing future financial pressures relating to the impact of the Covid-19 - this is included for prior years
9c	Investment in other priorities	Investment to ensure the delivery of core services.
9d	Increase in capital financing costs	The revenue funding for additional borrowing that supports the delivery of the Capital Strategy. This is an area under pressure; the <i>future</i> borrowing costs of the Council have more than doubled since setting the 2022-23 budget and so the revenue funding available to finance capital spend will either need to increase in the MTFs to fund previous levels of Council funded programmes or remain/reduce to fund fewer Council funding projects.
10	Savings, transformation and income requirement	Items that reduce cost via the themes identified.
11	Annual budget requirement	Sub-total of the above.
12	One off investments/savings	Investment to support initiatives, on a one-off basis.
13	Net budget for management accounting	Sub-total of the above.
14	ASC BCF / iBCF funding	Expenditure that equals the income from this funding source in line 3a above.
15	Budget requirement	Sub-total of the above.
16	Use of Reserves/ increase in reserves	Use of any earmarked or unallocated reserves to support future budgets, and cover the collection fund deficit. Building back reserves in future years.
17	Budget requirement	The new budget that equates to the funds available in line 6.

4.3 The MTF5 considers investment as well as savings. The latter is discussed in further detail below but, importantly, the MTF5 does have investment set aside over the next four years. This includes a wide range of areas and remains in line with the Council Strategy ambitions – i.e. investment to achieve the Strategy, continue to build on our strengths and investment in infrastructure to deliver the Council Strategy and other supporting strategies. The savings themes for the MTF5 is based on the model below:

Figure 1.3



4.4 The model has been considered to drive different strands of activity and reflect that there are a variety of different ways of delivering a long term balanced budget. The Council has moved to a more outcomes based budgeting approach for this MTF5.

4.5 Below is a summary of the five key themes and some of the proposals that are included in 2024-25 budget and that are being considered for future financial years. For years beyond 2024-25, worked up proposals will be required and will be incorporated into the annual budget for those financial years. There is a gap between proposals at present and the total savings requirement in the MTF5, but this highlights that proposals are being considered in advance of their requirement to ensure greater medium term financial planning. At present there is a requirement for savings of £15.3m from 2025 of which at least £4.0m has been identified in proposals for future budgets.

4.6 Indicative savings proposals across directorates would be per the below; this will be supported by the transformation programme and in the themes below:

Directorate	2025-26 / £m	2026-27 / £m	2027-28 / £m
Savings identified	2	1	1
People	1.6	2.8	1.8
Place	0.9	1.2	1.1
Resources	0.5	0.7	0.6

Cost Avoidance

The projects involving, for example, intervening in service demand early to reduce future modelled costs. This is particularly evident in Adult and Children Social Care where the modelled budget line can be reduced through interventions that either avoid anticipated costs or provide alternative service arrangements at no cost to the Council.

Income Generation

Either new income generating opportunities or through increasing additional revenue from existed income sources from fees and charges.

Service Transformation

Opportunities to transform how services are provided by the Council. Key elements included in this are digital opportunities so that more services are available for those who want to use them online and out of core office hours. The Council is also looking at the physical location of its offices and opportunities to transform how services are delivered and from where to improve customer service and deliver financial savings.

Service Reform

This element is focussed on the improved efficiency and effectiveness of existing services and where incremental adaptations can be made so that they are delivered at a lower cost. Historically, this has been an area of success for the Council but as each year occurs, the scale of the opportunities reduce.

Disinvestment

This is the removal of an existing service or a reduction in the level of service provided without a compensating transformation. This will be the area that the Council prioritises last, but does have to be considered with all other options depending on the overall funding position.

Capitalisation

Review of revenue costs that are capital in nature.

Reserves - £6m contribution

As highlighted in the revenue budget papers, the Council has a level of reserves that are some of the lowest in the country. The Council already in the existing MTFs had a contribution to reserves each year to replenish risk reserves over the life of the MTFs. In light of the in year financial pressures, this contribution has been increased to reflect the replenishing of the risk reserves and also to increase the general fund back to above the minimum level set.

- 4.7 It is also important for the MTFs to consider the different scenarios that relate to the MTFP. Appendix A highlights the detail behind these and is summarised below:
-

Figure 1.4: Scenario planning

Scenario	Best / highest case	Financial impact	Worst Case	Financial impact
Council Tax base changes	2% growth p.a.	£1.7 extra p.a	0% growth from 2024-25	£0.7m p.a.
Business Rates reset and fair funding review from 2025-26	No reset – keep retaining growth	£1.8m in year 3	Full reset – no transition	£5 to 10m drop from 2025-26 plus impact of fair funding review
Agency costs (staffing) within social care continue on current level leading to an overspend			Growth in agency costs as recruitment activity is unsuccessful	£3m overspend
Inflation and pay award	0.5 % lower	£0.3m p.a.	2% increase	£1.2m
Capital financing costs	Rates drop by 1%	tbc – gilt rates dependent	Increased rates of 1%	£0.2m
ASC finance model	Per 'best' case	£3.9m benefit	Per 'worst' case	£4.1m overspend
CFS finance model	Per 'best' case	£1m benefit	Per 'worst' case	£1.1m overspend

5. **Priorities**

5.1 The overarching priorities of the MTFS are:

- To ensure a balanced financial position over the medium term
- To ensure that there are sufficient resources to deliver the Council Strategy
- To enable longer term decision making by providing financial planning over a four year timeframe

6. **Actions**

6.1 Unlike other strategies that have a clear action plan, the MTFS is slightly different in that it provides an over-arching view of the financial position and the actions to deliver the strategy are contained in other Council strategies – see interaction below:

Council Strategy Framework

The Purpose of the strategy:

Making West Berkshire greener, fairer and more prosperous, with thriving communities and services we are proud of

Overarching values:



Integrity

'we act with integrity ensuring all decisions are lawful, transparent and impartial'



Customer focused

'we listen to our customers and do our best for them'



Fairness

'we will always treat everyone fairly'

The Priorities of the strategy:



**Services
We Are Proud of**



**A Fairer West Berkshire
with Opportunities for All**



**Tackling the Climate and
Ecological Emergency**



**A Prosperous and
Resilient West Berkshire**



**Thriving Communities
with a Strong Local Voice**

The Goals for each priority:

- Ensure West Berkshire Council continues to offer good customer service to our residents and businesses
- Transform the way the Council works
- Treat our residents with respect, be transparent in our decision making
- Make West Berkshire Council an employer of choice

- Prioritise support for those who need it most
- Deliver more homes that people can afford
- Support our Local Authority maintained schools to drive up standards

- West Berkshire Council to achieve net zero by 2030 and improves biodiversity
- Help our residents and businesses to save money and the environment
- Help to make the whole of West Berkshire net zero

- Proactively engage with and support businesses to grow and thrive
- Regeneration of Bond Riverside and build a new community sports stadium
- Continue to invest in key infrastructure and public transport
- Ensure new housing developments come with suitable infrastructure and enhanced amenities

- Encourage and support our local communities to take the lead in driving what is important to them
- Help our residents lead fulfilled and active lives
- Work with partners and the local communities to enhance our main towns and large villages
- Help our villages to remain vibrant long term

6.2 Key actions to take place though include:

- Review of fair funding outcome and future of business rates post 2025-26
- Further savings proposals for years 2 to 4 of the MTFS and review of different budget setting approaches
- Further review of reserves in 2024-25 budget and beyond to ensure that the general fund and risk reserves are replenished through a contribution to reserves
- Investment in a transformation programme for preventative work to support long term cost recovery or avoidance where demonstrable

7. Implementation

7.1 The MTFS is implemented through the revenue budget for the year ahead (2024-25) as well through the oversight of the Budget Board, an internal board at the Council, which considers changes to the financial planning assumptions as well as future options for delivering the MTFS.

7.2 The MTFS also provides a steer for officers on the approach to take and the themes articulated above will help to shape future budgets.

8. Conclusion

8.1 The Local Government Finance Settlement for 2024-25 has only provided certainty for the 2024-25, the other figures are all estimates and will be subject to significant change depending on Government policy. The removal of changes due a fair funding review and hard business rate baseline reset until 2026-27 at the earliest is a base assumption; there could be an implantation for 2025-26, but that there will be a general election by January 2025 puts the timescale for any changes to happen for the 2025-26 financial year less likely. This enables the MTFS, certainly

for the next two years, to have a much greater level of certainty over the income levels assumed, though many Government funding streams remain unclear e.g. Services Grant and New Homes Bonus. The new Council Strategy for 2023-27 provides greater stability on Council policy direction and a redirection of Council funding to those priorities approved by members.

Glossary

None

Appendices

Appendix A – Scenario planning

Other relevant documentation

Previous Medium Term Financial Strategies

Accompanying budget papers for 2024-25

Local Government Finance Settlement 2024-25 (DLUHC) [Provisional local government finance settlement: England, 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/Provisional_local_government_finance_settlement_England_2024_to_2025.pdf)

The below sets out some of the potential changes on the specific lines of the MTFP – all of these are estimates. The amounts show the cumulative position over the MTFS (4 years).

Council Tax Base Changes

A 1% increase in the Council Tax base equates to approximated 650 properties and just over a £1m additional income. The ability to accurately forecast this figure is difficult. The Council has little control over how quickly properties are built across the district on a year by year basis (the local plan can set out the overall quantum over a much longer period) so faster or slower building rates have a large impact in future years. The other determinate of the Council Tax base is how many residents receive the Council Tax reduction scheme; greater levels of take up will mean a smaller taxbase as this affords some protection to residents from paying the full rates of Council Tax.

Council Tax referendum level

This is proposed at 2.99% by the Government for 2024-25 and assumed to remain at this level throughout the MTFS. Councils can increase Council Tax above this level but would need to conduct a referendum with residents first. It is assumed in the MTFS scenario planning that this would not occur.

ASC precept

Similar to the above, with a maximum level of 2% allowable.

Business Rates and Fair funding review

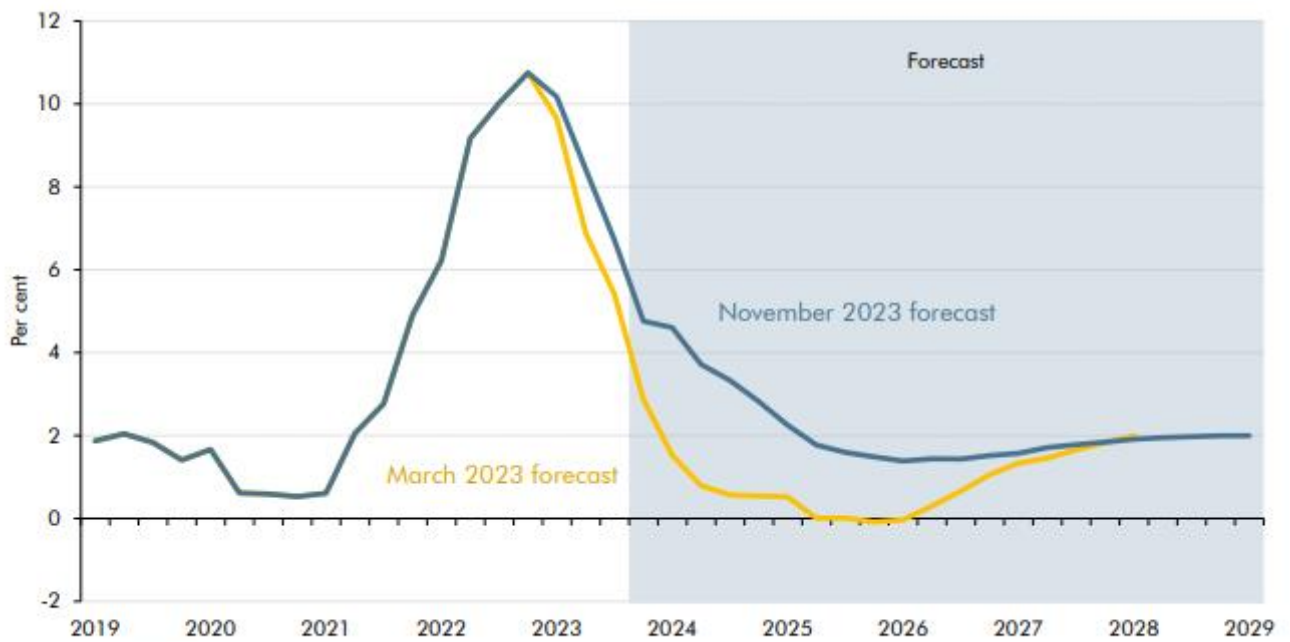
This has been articulated in the MTFS above, but the Council is currently above its 'business rates baseline' by over £5m. This is the amount at which the Government, when creating the retention of business rates in 2013-14 assessed as the amount of business rates the Council collected and then ended up retaining after transfers to the Government. If the Government implemented a reset to the underlying business rates baseline this would cost the Council well over £5m a year as the Council has seen growth in business rates above this baseline level over the past ten years.

Agency costs

The Council is facing significant pressures on recruiting and retaining staff in certain services, especially in adults and children's social care. The additional agency costs required (to cover vacant posts) are substantial and an estimate of £3m has been identified as a worst case additional cost. Steps have been brought in during 2023-24 through the Financial Review Panel to reduce agency costs.

Inflation and pay award

Forecasts for inflation vary significantly but the Office of Budget Responsibility forecast in March 2023 was for an approximate sub 2% inflation figure by the end of 2023-24 (from a high of 11% in 2022-23) with deflation from 2024-25, this has been revised in November 2023 to expect a slower drop in inflation for 2024-25 (though inflation in December 2023 was already lower than the forecast), see below:



Source: ONS, OBR

Capital financing costs

As highlighted above, interest costs have more than doubled during 2022-23; when the budget was set, Public Works Loans Board rates were approximately 2% and are now in excess of 4%, this means that for the same revenue costs, the Council will be able to afford half of the total Council funded capital projects.

ASC finance model

This model is presented to Executive every quarter as part of budget monitoring. The model has best and worst case costs scenarios. The 2024-25 model provides for the expected costs with a 2.5% inflation uplift. The difference between the base and best case is £3.9m and between the base and worst case is £4m. This has been highlighted since 2020-21, where there was a significant underspend on ASC spend and during 2022-23 where there was a significant overspend, which has continued through into 2023-24 even with a substantial funding increase.