
Revenue Budget: 2025/26

Committee considering report:	Council
Date of Committee:	27 February 2025
Portfolio Member:	Councillor Iain Cottingham
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Forward Plan Ref:	C4631

1 Purpose of the Report

- 1.1 The Council must set a balanced budget for the 2025/26 year by 11 March 2025. The budget acts as an indicator that the Council has set aside sufficient financial resources to achieve its objectives and to ensure that Council Tax bills can be issued to residents across the district prior to the start of the new financial year. This report details the budget proposals for the year ahead that form the basis of the 2025/26 revenue budget and detail the respective Council Tax proposals and resolutions.
 - 1.2 The report includes various appendices to support members in their decisions on the recommendations disclosed. In advance of preparing this budget paper, the Council has been managing a budget consultation exercise (further information is in Appendix I) where a range of proposals have been consulted upon. Other appendices to this report include the overall savings proposals, budgeted investment, a fees and charges summary and changes and items relating to the setting of Council Tax. There are appendices disclosing reserve levels, which are particularly important for this revenue budget given that reserves are forecast to be below the minimum level set by the s151 Officer.
 - 1.3 When considering this report, it should be noted that on 9th January 2025 the Council submitted a request for Exceptional Financial Support (EFS), totalling £16m. The request is split between £13m in 2024/25 and a further £3m for 2025/26. The 2024/25 balance is designed to support enhancing resilience of the Council's General Fund and provide a General Fund in 2025/26 that will be able to support the revenue budget presented in this report and enable the Council the capacity to respond to any additional unforeseen financial pressures. A sum of £3m has been requested for financial year 2025/26 to enable the 2025/26 revenue budget to be balanced. Further detail is included in appendix Fii, the s25 Statement of the s151 Officer.
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2 Recommendations

1. That Council approves the 2025/26 Council Tax requirement of £131.64 million, requiring a Council Tax increase of 2.99% with a 2% Council Tax precept ring-fenced for Adult Social Care.
 2. That the fees and charges are approved as set out in Appendix G and that the appropriate statutory written notices be placed where required.
 3. That it be noted that the following amounts for the year 2025/26, in accordance with regulations made under Section 31B of the Local Government Finance Act 1992, as amended (by the Localism Act 2011), are as follows: -
 - (a) 68,511.33 being the amount calculated by the Council, (Item T) in accordance with regulation 31B of the Local Authorities (Calculation of Council Tax base) Regulations 1992 (as amended by the Localism Act 2011), as its Council Tax base for the year (the number of properties paying Council Tax)
 - (b) Part of the Council's area as per Appendix J being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which a Parish precept relates
 4. Calculate that the Council Tax requirement for the Council's own purposes for 2025/26 (excluding Parish precepts) is £131,638,354.
 5. That the following amounts be now calculated by the Council for the year 2025/26 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992, amended by the Localism Act: -
 - (a) £447,838,985 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2), (a) to (f) of the Act taking into account all precepts issued to it by Parish councils
 - (b) £309,920,765 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3), (a) to (d) of the Act
 - (c) £137,918,220 being the amount by which the aggregate at 5(a) above, exceeds the aggregate at 5(b) above, calculated by the Council, in accordance with the Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R specified in the Act)
 - (d) £2,013.07 being the amount at 5(c) above (Item R), all divided by 3(a) above (Item T specified in the Act), calculated by the Council, in accordance with Section 31B of the Act, as the 'basic amount of its Council Tax for the year (including Parish precepts)'
 - (e) £6,279,866 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Appendix J)
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- (f) £1,921.41 being the amount at 5(d) above less the result given by dividing the amount at 5(e) above by the amount at 5(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate.
6. That it be noted that for the year 2025/26, Police and Crime Commissioner for Thames Valley and the Royal Berkshire Fire and Rescue Service have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in Appendix J.
 7. That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables in Appendix J as the amounts of Council Tax for 2025/26 for each part of its area and for each of the categories of dwellings.
 8. That the Council approves the fees and charges amounts disclosed in Appendix G.
 9. That the Executive ratifies the Exceptional Financial Support request to Government of £16m.
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3 Implications and Impact Assessment

Implication	Commentary
<p>Financial:</p>	<p>The financial implications are detailed throughout the report.</p> <p>The key implications are:</p> <ul style="list-style-type: none"> • A proposed 4.99% Council Tax increase (including the Adult Social Care precept) • A significant savings programme proposed for approval has been identified, alongside an efficiency target, this generating a £3m funding gap • A forecast General Fund balance of less than £4m compared to a 5% minimum balance requirement of £9.3m. If Exceptional Financial Support is approved then the Council will have a General Fund reserve of at least 5% of the Council’s revenue spend as at the end of the 2024-25 financial year. <p>Exceptional Financial Support has been requested from Central Government. A decision on the application is anticipated in late February 2025. Due to the risks facing the General Fund outlined in the Q3 Revenue Financial Performance Report and -having regard to the budget gap detailed in this report, EFS is required to avoid the issuance of a s114 notice</p>
<p>Human Resource:</p>	<p>Individual changes to staffing from budget proposals, including investment, are included in individual proposals in appendices to this report.</p> <p>Any changes to staffing would need to comply with the relevant HR Policies and Procedures.</p>
<p>Legal:</p>	<p>There is a requirement to produce a Revenue Budget under the various Local Government Finance Acts.</p> <p>The savings proposals have been consulted upon as appropriate, and further consultations may be required prior to implementing certain proposals.</p> <p>The Public Sector Equality Duty (149 (1) requires a Local Authority in exercise of its functions to have due regard to the need to:</p>

	<p>(a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act</p> <p>(b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it</p> <p>(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it</p> <p>The Council consulted on a variety of specific savings and income proposals between 11 November and 23 December 2024. A summary of the outcome of these consultations is included in Appendix I to this report</p>			
Risk Management:	<p>Within 2025/26 financial monitoring, savings proposals will be kept under monthly review to ensure deliverability. Appendix F describes the impact of how increased volatility in Local Government finance will be managed and considers the impact on reserve levels</p>			
Property:	<p>Significant amendments to the property and infrastructure portfolio are included as part of the capital strategy which is funded through revenue financing. Transformation activity will be funded through the flexible use of capital receipts via future asset sales</p>			
Policy:	<p>Specific investment in the Council Strategy is included as part of this budget. These areas are highlighted separately in the budget paper</p>			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				

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<p>A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?</p>		X		<p>Individual savings have been subject to Equalities Impact Assessments where required – please see further in the budget consultation exercise (Appendix I)</p> <p>An overarching EqIA on the budget has been completed and is included in Appendix A</p>
<p>B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?</p>		X		<p>See above</p>
<p>Environmental Impact:</p>		X		
<p>Health Impact:</p>		X		
<p>ICT Impact:</p>		X		
<p>Digital Services Impact:</p>		X		
<p>Council Strategy Priorities:</p>	X			<p>There is funding within the budget (including within the capital budget which is supported by the revenue budget) to aid delivery of the priorities contained in the Council Strategy</p>
<p>Core Business:</p>		X		<p>There are some enhancements to core business included within the budget as well as a range of savings proposals that reduce core business expenditure</p>
<p>Data Impact:</p>		X		

Consultation and Engagement:	There has been a consultation on the specific budget savings that require an equalities impact assessment between 11 November and 23 December 2024. The outcome of this is included in Appendix I and within the report
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4 Executive Summary

- 4.1 The purpose of this paper is to consider and recommend to Council the 2025/26 Revenue Budget, which proposes a Council Tax requirement of £131.64m, requiring a 2.99% Council Tax increase and an Adult Social Care (ASC) precept of 2%. The proposed Council Tax increase will raise £3.7m, the precept will raise an additional £2.5m and an increased taxbase will raise a further £1.2m. The ASC precept has been levied to reflect the increased service demand and financial costs within the underpinning system.
- 4.2 Furthermore, this paper sets out the challenges faced by the Council when setting the 2025/26 revenue budget and acknowledges that the Council is unable to recommend a balanced budget without Exceptional Financial Support (EFS) from Central Government or a robust plan of significant efficiencies to balance the budget gap that would need to be presented to Executive for approval.
- 4.3 The Council approved a budget for 2024/25 with reserve levels of £4.2m against a recommended minimum of £7m. The 2024/25 forecast revenue outturn position is an overspend of £2-£2.5m, and as a result the estimated General Fund balance at 31 March 2025 is anticipated to be between £3.4m and £3.9m with no additional earmarked revenue reserves (with the exception of schools' balances and the ringfenced Public Health reserve, both of which are not deployable in support of Council service delivery) to enhance this position. The proposed net revenue budget for 2025/26 is £187.0m with an embedded £11.2m savings requirement, after utilisation of £2.3m of General Fund reserves. The anticipated General Fund, post support of the 2025/26 revenue budget, will equate to less than a day of net expenditure. The level of the General Fund does not effectively enable the Council to respond to in-year pressures or unforeseen financial events. This is paired with a remaining savings gap between funds available in support of the revenue budget of £187.0m and savings identified. The current position is: - £11.2m savings requirement; £8.2m of savings identified and a £3m savings gap remaining.
- 4.4 The position of the revenue budget needs to be considered in the context of 4.5 below.
- 4.5 In past financial years the Council has generated substantial savings (£28.9million in the financial years 2022/23 and 2024/25 collectively). The Council has noted significant growth in the demand for social care services (children's and adults) in the period following the end of the Covid-19 pandemic and during the cost-of-living crisis. The table below illustrates the additional funding allocated to the three principal revenue social care budgets within the last three financial years:

Net Revenue Budget Provision	Net Budget			Percentage Increase over period
	2022/23	2023/24	2024/25	
Adult Social Care	£55,175,190	£63,054,780	£69,682,300	26.3%
Childrens Social Care	£23,091,000	£25,423,380	£28,167,950	22.0%
Home to School Transport	£3,006,660	£3,502,980	£4,123,080	37.1%
TOTAL	£81,272,850	£91,981,140	£101,973,330	
Council Net Revenue Budget	£148,605,930	£159,520,470	£164,610,440	
ASC, CSC and HTST% of net revenue budget	54.7%	57.7%	61.9%	

- 4.6 This social care pressure coincides with increased demand on special educational needs commissioned support which is funded through the High Needs Block (HNB),

which in turn is sourced by the Dedicated Schools Grant (DSG). The HNB is forecast to have a £17.5m deficit as at 31 March 2025 (£9.4m as at 31 March 2024) and is forecast to increase to £30m by 31 March 2026. The HNB deficit is currently subject to a statutory override, enabling the deficit on DSG funding to be allocated to the Council's unusable reserves (reserves held for accounting adjustments and not deployable in the support of service delivery) until 31 March 2026. The Council, as with all Councils across the country with a HNB deficit, awaits direction from Central Government on the longer-term funding solution for HNB expenditure shortfalls and the accounting treatment of the deficits arising. If the statutory override is removed, the deficit will become immediately chargeable to the Council's General Fund and a s114 notice will need to be issued. The impact of the HNB deficit held in reserves is an erosion of the Council's working capital (i.e. Balance Sheet resources deployable in the support of core Council activities), creating a higher borrowing requirement (debt funding), in support of the Council's capital programme. Capital itself is not directly chargeable to the revenue budget but debt servicing in support of capital delivery is chargeable. Due to the increasing borrowing requirement in an economic environment of high interest rates (PWLBS rates at approximately 6% compared to a historic 3-4% average), this has resulted in a significant investment within the capital financing budget for 2025/26. Assumptions underpinning the capital financing budget are contained within the Council's Investment & Borrowing Strategy for financial year 2025/26.

4.7 The Council's expenditure primarily relates to social care delivery and the waste contract. The waste contract is a single revenue contract of over £20m. These two functions are reporting major cost increases that must be included within the Council's budget for the forthcoming financial year. To fund this expenditure, the Council has chosen to increase Council Tax by 2.99% and levy a 2% Adult Social Care precept, however in itself this does not enable the Council to set a balanced budget. The revenue budget proposals are:

- (a) That Council approve the 2025/26 Council Tax requirement of £131.64 million, requiring a 2.99% Council Tax increase and a 2% Adult Social Care Council Tax precept ring-fenced for Adult Social Care
- (b) That the Fees and Charges be approved as set out in Appendix G and the appropriate statutory written notices be placed where required
- (c) That the Parish Expenses be approved as set out in Appendix H

4.8 Within the 2025/26 budget setting process, savings and income proposals have been identified and efficiency targets have been allocated to directorates for delivery during 2025/26. However, a budget gap remains as follows:

Identified savings	£8.2m
Unallocated funding gap 2025/26	£3.0m

4.9 The Council has submitted a request for Exceptional Financial Support (EFS) from Central Government. A request was made for £16m, with £13m requested to support the 2024/25 in-year financial position and provide additional support to bolster the Council's reserves. A further £3m has been requested in support of the 2025/26 revenue budget. The revenue balance is proposed to be balanced through support from EFS,

providing reserves resilience and allowing the Council capacity to continue with the implementation of the transformation programme, this programme intended to create efficiencies, reduce long-term costs and address forecast pressure on the revenue budget. A decision on EFS is anticipated in late February 2025. If support is declined, a robust plan of efficiencies to address the £3m gap plus additional balances to build resilience into the General Fund will be required to be presented to the Executive in order to avoid the risk of a s114 notice.

- 4.10 In conclusion, the Council is currently unable to set a balanced revenue budget for financial year 2025/26 as is legally required. This scenario combined with the low level of General Fund reserves (as detailed in the reserves statement in Appendix Fi), has resulted in the Council's EFS request of £16m. Without receipt of financial support from Central Government, the Council will be required to enact extensive savings proposals of over £5m (to achieve an annualised £3m), over and above the £8.2 million of savings already approved due to the timing of not receiving EFS. This is because savings of this range and level would require further consultation with stakeholders and this would take several months to implement and would have impacts upon services across the district. On this basis, it is the recommendation of the s151 Officer that the revenue budget for 2025/26 is only approved upon receipt of EFS from Central Government. If EFS is not approved, clear demonstration of a comprehensive plan to deliver a minimum of £5m of efficiencies will be required to be presented to the Executive to avoid a s114 notice (please refer to the s151 Officer's s25 statement in Appendix Fii).
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5 Introduction

- 5.1 The purpose of this paper is to consider and recommend to Council the 2025/26 Revenue Budget, which proposes a Council Tax requirement of £131.64m, requiring a Council Tax increase of 2.99% and a 2% Adult Social Care (ASC) Council Tax precept. Council Tax will raise £3.7m, the ASC precept will raise a further £2.5m and an increased taxbase will raise £1.2m.
- 5.2 This report also proposes the Fees and Charges for 2025/26 as set out in Appendix G, and recommends the level of General Fund reserves outlined in Appendix F.
- 5.3 The Council has proposed savings of £8.2m, detailed in Appendix E. However, the Council has been unable to fully identify savings to address the £11.2m requirement between planned revenue expenditure and available resources without significant impacts on the Council's statutory duties or ability to set a robust budget. As reserves are well below the required recommended minimum General Fund level (forecast level £3.4 to £3.9m compared to % of net revenue for 2025/26 of £9.3m), the Council has sought financial support from government (£13m in 2024/25 and £3m in 2025/26). The additional financial support will allow the Council to bolster the General Fund and balance the 2025/26 budget.

6 Scene Setting

- 6.1 Council Tax is set based upon October to January data from the previous financial year and cannot be adjusted in-year. Council Tax represents approximately 71% of the Council's income stream. Retained business rates are a significant source of Council funding (approximately £30.6m) yet the Council has no control over the rate being set.
 - 6.2 This backdrop of constrained income sources and rising inflation has been compounded by the effect of increased demand for Council services, social care services seeing an increase in clients in both adults and children's whilst special education needs home to school transport costs have risen through a combination of inflation and higher user numbers. At the same time, there has been a rise in housing costs, principally through temporary accommodation costs because of homelessness presentations to the Council.
 - 6.3 The adjustment to the 2025/26 budget is substantial. In 2024/25, the Council budget for adults and children's social care was £97.8m. For 2025/26 this sum is forecast to be £105.1m, an uplift of almost £7.3m or 7% in a single financial year. In 2022/23 the combined adults and children's budgets amounted to £78m, compared to the £105.1m intended for 2025/26. It is the major growth in these budgets that is driving the significant savings requirements that the Council must address.
 - 6.4 To set balanced budgets in prior financial years, the Council has leaned heavily on reserves. During the period 2022/23–2024/25, £5.8m of reserves were utilised to balance the revenue budget. The reserves position was further exacerbated through additional utilisation to address other financial pressures. In 2022/23 the Council held a General Fund of £13.1m and revenue reserves (excluding schools balances) of £23.8m. The Council has subsequently looked to deploy (where appropriate) adjustments to accounting policies and disposals of surplus assets, alongside disinvestment from the
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Council's commercial property portfolio, this as a means of easing financial pressure on the revenue budget.

- 6.5 Lastly, and most significantly, Government funding is fixed and beyond the control of the Council to increase. The 2025/26 Local Government Finance Settlement was released on 3rd February 2024, with subsequent notifications of specific grant allocations anticipated.

7 The 2025/26 Local Government Finance Settlement

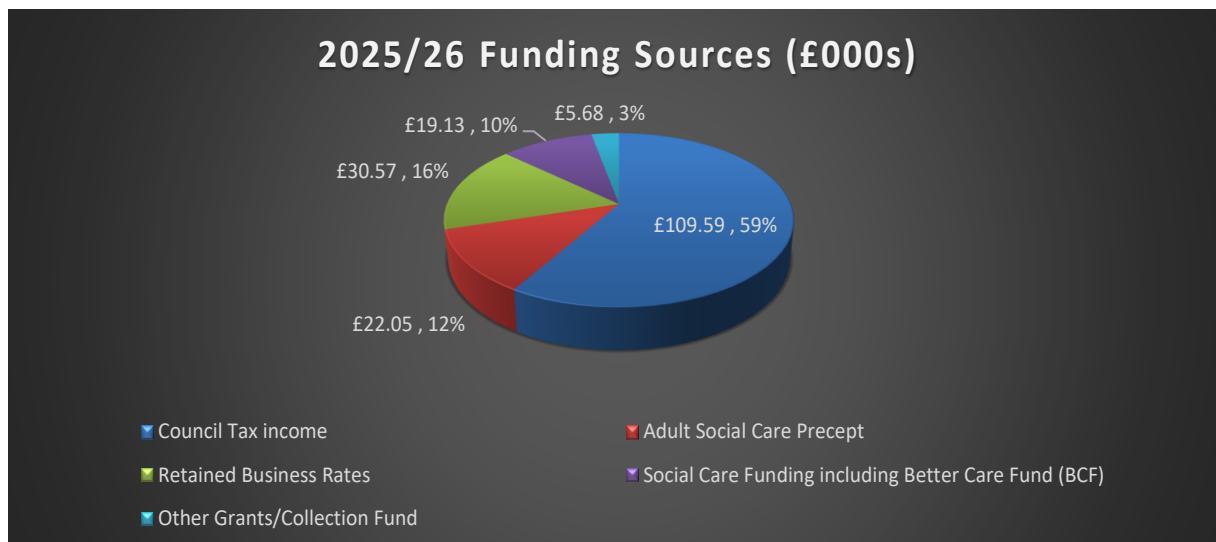
- 7.1 It was confirmed that there is a one-year spending period (2025/26) and that the finance settlement only covers the 2025/26 financial year. The highlights:

- (a) The increase in Spending Power for West Berkshire is 5.7% compared to 2024/25, inclusive of the government assumption that the Council takes the maximum increase in Council Tax and the Adult Social Care precept that they can without triggering a referendum (4.99% overall for West Berkshire Council)
- (b) For Council Tax, a core principle of up to a 2.99% increase was announced, together with a further 2% increase in Council Tax through the Adult Social Care (ASC) precept
- (c) Business rates bills are calculated by multiplying the rateable value of a property by either the small business multiplier or the standard multiplier and subtracting any relevant reliefs. Multipliers usually increase alongside Consumer Price Inflation (CPI) inflation but for 2025-26 Central Government has frozen the small business multiplier retaining it at 49.9 pence, but the standard multiplier has been increased by 0.9 pence to 55.5 pence. To support high street properties for the sixth year running, Central Government is extending the Retail, Hospitality and Leisure relief scheme to 2025-26 to a cash cap of £110,000 for each business but is reducing the relief level from 75% to 40%. Central Government has also withdrawn relief for private schools and for properties producing local newspapers
- (d) Social care grant funding of £10.3m, plus a share of the Local Authority Better Care Grant (formerly ASC Discharge Fund) of £0.9m, plus £2.2m of ASC Sustainability and Improvement Funding
- (e) There will be a new round of New Homes Bonus payments amounting to £0.8m
- (f) Other non-ringfenced grant funding of £0.7m received in respect of the Children's Social Care Prevention Grant and Domestic Abuse Safe Accommodation Grant. The Council has made an approximately £300k assumption relating to additional non-ringfenced grant funding to be received during the financial year, this not specific to the settlement. This assumption is based upon receipts received on an annual basis.

- 7.2 Assumed total funding for 2025/26 is £187.0m.
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8 Revenue Funding Distribution

8.1 The Council has assumed non-ringfenced funding of £187.0 in support of delivering core services in financial year 2025/26. The main sources of funding for the 2025/26 revenue budget are shown in the following chart:



8.2 West Berkshire Council's main source of funding is from Council Tax including the ASC precept, at around 71% of overall income. Council Tax is collected from residents based upon the value of the property in which they live. This report recommends a Council Tax increase of 2.99% for 2025/26. Income from Council Tax is also expected to increase by a further 0.9% due to growth in the tax base (the number of properties paying Council Tax). Total Council Tax increases will raise £7.5m. This is based upon a collection rate of 99.5%.

8.3 The Council is proposing a 2% Adult Social Care precept for 2025/26, which is the maximum allowable. The precepts will raise annual funds of £22.05m (£18.8m raised in 2024/25). Adult social care makes up over a third of the Council's net revenue expenditure budget. Whilst efficiencies are being enacted in the way that the Council operates this service, the precept has helped to address the pressures faced from learning disability, demographic increases, increased costs and additional staffing requirements.

8.4 Retained Business Rates represents the Council's share of the actual business rates collected in West Berkshire. West Berkshire continues to receive 50% of business rates less a significant tariff to Central Government meaning that the overall amount of business rates retained by the Council is 25% of all rates collected.

8.5 Social care funding via the Better Care Fund (BCF) and Improved Better Care Fund (iBCF) is to be spent locally on health and care with the aim of achieving closer integration and improved outcomes for patients and service users and carers. BCF funding is received alongside a Social Care Grant, and grant funding for 2025/26 is £18.95m collectively (£17.46m for 2024/25).

8.6 Other grant funding consists of New Homes Bonus and other smaller non-ring-fenced grant sums.

9 Net Revenue Expenditure

9.1 The net revenue budget requirement for financial year 2025/26 is as follows:

Net Revenue Budget	FY 2025/26
Funds Available	£ 187.02
Base Budget	£ 167.15
Growth and Inflation	£ 8.23
Modelled Social Care Increased Demand and Inflation	£ 8.07
Ongoing Investment	£ 4.87
Increase in Capital Financing Requirement	£ 3.30
Planned Net Revenue Expenditure	£ 191.62
Better Care Fund Expenditure	£ 8.85
Savings and Income Generation	-£ 8.18
Use of General Fund Reserves	-£ 2.27
Financial Assistance	-£ 3.00
Net Revenue Budget Requirement	£ 187.02

9.2 **Base budget:** This is the ongoing budget requirement for services delivered along with the ongoing revenue cost of the capital programme (i.e. capital programmes delivered historically inclusive of funding financial year 2024/25).

9.3 **Growth and inflation:** This is the budget increase required for the Council to continue to perform existing services each year. As part of the budget setting process, the Council provides for general inflationary pressures such as salary increases (2.5% assumption) based on the number of established posts, together with salary increments and increases to National Insurance and pension contributions. Any pay award above the assumptions would result in an in-year pressure in 2025/26. Alongside pay and increments, budgets are inflated where a contract is in place and are subject to annual inflationary increases. The largest single item of contract inflation is from the waste PFI contract. This contract increase is based on the RPI measure in January of each year. Full details of contract inflation are given in Appendix B.

9.4 **Modelled social care increased demand and inflation:** Most growth has arisen in supporting social care, and it has been necessary to invest in the budget due to rising demand and price increases. Financial modelling has been undertaken in demand-led budgets which track client numbers, demand for services and pricing. The modelling produces a financial impact range between low cost, median and high cost. The model inflation is at 2%, reflecting increases expected in costs balanced against increases already established. There is a risk in 2025/26 that the pressure will exceed the value modelled due to external market factors, the increasing complexity of client needs and the impacts of the Employer National Insurance changes. The impact of a 1% increase over inflation when modelled is approximately £800k. The extracts from the models are shown in Appendix C.

9.5 **Ongoing investment:** Each year new service investment is required to be built into the revenue budget. Additional investment outside of contractual inflation and modelled growth is focused on delivering strategic objectives within the Council's approved Council Strategy. Details of ongoing investment are included in Appendix D.

- 9.6 **Capital Financing Requirement:** The revenue capital budget funds the historic borrowing costs of the capital programme plus proposed future capital investment in the forthcoming financial year. A significant investment is required in 2025/26 due to a prolonged high-interest rate environment, this resulting in increased financing costs. The Capital Strategy denotes the planned capital programme for financial year 2025/26 and the Investment and Borrowing Strategy for financial year 2025/26 details the proposed capital financing and impacts.
- 9.7 Included within planned net revenue expenditure is ring-fenced funding which must be spent on specific areas and several service specific fees and charges which contribute to the delivery of core services. These income streams are shown within individual net service budgets where the expenditure occurs.
- 9.8 **Dedicated Schools Grant (DSG):** The DSG is a ring-fenced grant which can only be spent on school/pupil activity. The DSG consists of four funding blocks: - Schools; Central Schools Services; Early Years and High Needs. The DSG settlement for 2025/26 was announced by Central Government in December 2024. The following table summarises the 2025/26 DSG settlement for each block:

Categories	(£'m)
Schools block	143.57
Central school services block	1.07
High needs block	30.83
Early years block	27.7
DSG allocation	203.16

NOTE: the amounts stated for DSG are prior to reflecting deductions

- 9.9 The Schools Forum is responsible for the financial oversight of the DSG. As part of the annual budget setting process, the forum can decide to reallocate budget provision from the schools' block (maximum allowance 0.5%) into the High Needs Block. It should be noted that the forecast High Needs Block deficit for financial year 2024/25 outturn is £17.5m (£9.4m in 2023/24) and is forecast to be in the region of £30m by 31 March 2026. The High Needs Block deficit is currently held in the Council's Balance Sheet as an unusable reserve subject to a statutory accounting override. Should this override be removed (decision from Central Government on an extension of the override is pending), the deficit will be chargeable in entirety against the Council's General Fund, and this will result in the immediate issuance of a s114 notice, effectively a declaration of bankruptcy. The Schools Forum have not elected to permit a transfer from the schools' block to the High Needs Block as part of the 2025/26 budget setting process, (transfer value £700k).

9.10 **Public Health Grant:** West Berkshire Council receives a £6.5m ring-fenced grant to fund public health functions.

9.11 **Fees and Charges:** There are generally two types of fees and charges - statutory and discretionary. The rationale supporting the proposed increases is included in Appendix G.

10 The Funding and Expenditure Gap

10.1 **Savings identified:** Several savings have been proposed, and a consultation exercise was undertaken with members of the public between 11 November 2024 and 23 December 2024 in respect of relevant savings directly impacting the public. Appendix I provides a breakdown of consultation responses received and the resulting recommendations. Appendix E provides a complete listing of savings identified for financial year 2025/26.

10.2 **Expenditure gap:** After identifying savings and undertaking the consultations, an expenditure gap remains. The proposal is to bridge this gap through the application of an in-year efficiency target, focused on reducing the Council's operational revenue funded establishment. Executive and Service Directors have been tasked with producing proposals to deliver the target. Detailed plans are expected to have been collated by the end of the first quarter of financial year 2025/26 with a view to implementation in Autumn 2025/26. The residual gap is proposed to be addressed through the application of funding from financial support sourced from Central Government.

10.3 **Exceptional Financial Support:** On 9 January 2025 the Council wrote to Central Government to request additional financial support of £16m. £3m of the requested sum is proposed to be applied in support of balancing the 2025/26 revenue budget. Further detail is included within Appendix Fii S25 Statement of the s151 Officer.

11 Reserves

11.1 Within the financial planning process, the Council considers the establishment and maintenance of reserves. Reserves are categorised into unusable and usable reserves. Unusable reserves include those reserves which are used to manage the accounting processes for areas including non-current assets, retirement benefits and employee benefits. These do not represent usable resources for the Council. Usable reserves comprise the General Fund reserve and Earmarked Reserves.

11.2 The General Fund exists to cover non-specific accounting items. The Council's s151 Officer recommends that the General Fund is retained at a minimum level of 5% of the net revenue budget set. Earmarked Reserves are used to deliver specific future projects or to address identified service risks.

11.3 **Recommended General Fund balance £9.3m:** To support a planned net revenue budget of £187.0m the Council would require a General Fund reserve of £9.3m, supported further by available earmarked revenue reserves. There are a number of risks inherent within the 2025/26 revenue budget, predominately relating to the level of inflationary pressure on commissioning budgets across adult and children's social care

and the impact of the Employer National Insurance increases as providers look to pass on their increased costs.

11.4 The Council has historically forecast in-year overspend positions which have subsequently been mitigated by in-year actions such as utilising reserves and reflecting adjustments to accounting policies (where appropriate and remaining compliant with the CIPFA accounting code). The forecast year-end balance held in the Council's General Fund is between £3.4m and £3.9m, well below the recommended level (2024/25 General Fund approved by Council was £4.2m) and before any deployment of reserve in support of the 2025/26 budget. The level of reserve compared to net expenditure is effectively the equivalent of less than a day of net operational expenditure and therefore does not allow the Council capacity to effectively respond to any unforeseen financial circumstances. As part of the request for financial support from Central Government, funding has been requested to bolster the General Fund and satisfy the s151 Officer's recommended level of a minimum of 5% of the net revenue budget. Further discussion is within Appendices Fi and Fii.

12 Proposals

12.1 Proposals are stated in Section 4 of this report and under recommendations in Section 2.

13 Consultation and Engagement

13.1 A range of engagement and consultation events were held. The Council consulted on a range of savings that required equality impact assessments from the 11 November to 23 December 2024. The full consultation information can be found in Appendix I. The Executive have proposed to include the majority of savings consulted upon with some amendments to some of the savings as highlighted in Appendix I.

14 Other options considered

The budget proposal contains a blend of savings options and Council Tax changes. The Council could enact a Council Tax referendum to introduce additional funding into the budget. This strategy has been rejected however due to the increased burden on local taxpayers that could have a negative local economic impact, the associated costs of the referendum and the likely adverse impact on the electoral vote.

15 Funding Statement and Conclusion

15.1 The Funding Statement for 2025/26 captures the funding available to the Council which can be used to deliver the budget requirement. The Funding Statement is presented inclusive of £3m of Exceptional Financial Support from Central Government. The financial support requested is a cash injection of £13m in 2024/25 to address significant pressures faced in the current financial year and provide resilience to the Council's General Fund position. A further £3m of receipts has been requested to support balancing the 2025/26 revenue budget.

Revenue Budget: 2025/26

2025/26 Funding Statement			
Income	£m	£m	Appendix
Council Tax	109.59		
Adult Social Care precept	22.05		
Total Council Tax income		131.64	
Retained Business Rates		30.57	
Adult Social Care BCF and iBCF	8.85		
ASC Market Sustainability & Improvement Fund	2.19		
Social Care grant	10.28		
ASC delayed discharge funding	0.48		
CSC funding	0.33		
Total Social Care funding		22.14	
New Homes Bonus	0.83		
Extended Producer Responsibility Funding (EPR)	4.66		
Domestic Abuse Safe Accommodation Grant	0.32		
Other non-ringfenced grants	0.98		
Employers National Insurance Contributions Funding	1.48		
Total other grant funding		8.27	
Collection Fund deficit (-)/ surplus - Council Tax	- 0.99		H
Collection Fund deficit (-)/ surplus - NNDR	- 4.60		
Total Collection fund deficit		- 5.59	
Funds Available		187.02	
Expenditure	£m	£m	Appendix
Opening base budget*		167.15	
Inflation	6.47		
Contract inflation	1.76		B
Modelled growth	8.07		C
Total growth and inflation		16.31	
Investment in Council Strategy priorities	3.97		
Other investment	0.90		
Increase in capital financing costs	3.30		
Total ongoing Investment		8.17	D
Savings, transformation and income		- 8.18	
Annual Budget Requirement		183.44	
One off savings/investments		-	E
Net Budget Requirement for Management Accounting		183.44	
Adult Social Care BCF and iBCF		8.85	
Budget Requirement		192.29	
Increase in Reserves	-		
Use of Existing Fund Reserves	- 2.27		
Application of Exceptional Financial Support	- 3.00		
Total one off funding		- 5.27	F
Budget Requirement after use of reserves		187.02	

£10k roundings may apply

Revenue Budget: 2025/26

- 15.2 To fund the 2025/26 revenue budget, Executive has opted to propose an increase in Council Tax by 2.99%, raise a 2% Adult Social Care Council Tax precept, and identify savings and income generation, in conjunction with other targeted efficiencies. A further gap of £3m has been identified and having consulted with the Executive, the Head of Paid Service and s151 Officer have sought additional financial support from Central Government.
- 15.3 The approval of the 2025/26 revenue budget is dependent upon the Council receiving approval for Exceptional Financial Support. Without this support, or without a robust plan of efficiencies to bridge the 2025/26 funding gap and build resilience into the General Fund, there is significant risk of a s114 notice.
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16 Appendices

Appendix A – Equalities Impact Assessment

Appendix B – Contract inflation

Appendix C – Modelled growth

Appendix D – Investment

Appendix E – Savings and income proposals

Appendix Fi) – Reserves Statements

Appendix Fii) – Adequacy of reserves and robustness of budget

Appendix G – Fees and Charges

Appendix H – Council Tax Collection Fund

Appendix I – Budget Consultation responses

Appendix J – Council Tax Resolution (Council only)

Background Papers:

Provisional and final local governance finance settlement – see DLUHC website
<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>

Subject to Call-In:

Yes: No:

- | | |
|---|-------------------------------------|
| The item is due to be referred to Council for final approval | <input checked="" type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input type="checkbox"/> |

Wards affected:

All

Officer details:

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