
Medium-Term Financial Strategy

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1. Foreword

1.1 The organisational position for many Local Authorities is one of significant financial pressure, set against a backdrop of the commencement of the most significant financial reforms for the sector in almost fifteen years. In recent years, there has been an unprecedented increase in the number of councils either issuing a s114 report¹ or raising concerns that they will need to do so in the short-term or medium-term. In the 2024-25 financial year, 19 councils requested Exceptional Financial Support in the form of a capitalisation request². At the time of writing, it is expected that many other Councils, including West Berkshire Council (WBC), will request exceptional financial support. Significant cost pressures include:- the higher costs of delivering adult social care; where there have been significant inflationary pressures and increased complexity (and therefore unit cost) in providing care, increased costs in children's social care; with a care market that has experienced substantial price inflation³; higher Home to School Transport costs, increased deficit within the High Needs Block in the Dedicated Schools Grant and higher associated revenue costs, and the increased costs of servicing housing needs across the country, specifically in respect of homelessness and the provision of temporary accommodation.

1.2 WBC is not immune to these wider cost pressures. As reported, during the current financial year, WBC is highlighting an in-year unmitigated overspend of almost £11.5m at Q3, subject to mitigating actions creating a net overspend of approximately £3m. This overspend is almost entirely driven by the pressures outlined above, with such pressures very much a driver of the national cost challenges facing councils. The difference for WBC is that reserves at the Council are comparatively much lower than other councils of a similar scale and size. With a significant overspend noted in 2023-24, there was a need to ensure that the General Fund retained a sufficient year-end amount. The General Fund reserve⁴ was reduced by utilising almost all earmarked reserves (primarily risk-related reserves) to close the General Fund at £4.1m. This amount is almost £3m below the minimum recommended level set (£7m) by the Section 151 Officer (the Council's Chief Financial Officer) as part of the 2024/25 budget setting process. The accounting impact within the current financial year (2024/25) is that by year-end, the Council is forecast to have reserves of below £3m. This amount is too low to retain on an ongoing basis and is a key reason for the Council's request for Exceptional Financial Support.

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. The MTFS is subservient to the Council Strategy but attempts to provide the financial planning framework in future years and acts as a 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, sufficiently long enough to provide some stability over an increasingly volatile financial future, but short-term enough so that the first

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 <https://www.gov.uk/government/collections/exceptional-financial-support-for-local-authorities>

³ [Profiteering fears as global investment firms increase stakes in England's child social care | Social care | The Guardian](#)

⁴ The overall unallocated reserve for the Council

year represents the budget proposals for 2026-27, and for the next three years there are a range of themes included which form the basis of future savings areas. The MTFS also includes detail on financing the capital strategy and how the scale and profile of this strategy has an impact upon the overall financial position of the Council. 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”.

2.3 Dependencies

2.3.1 The delivery of the MTFS cannot occur through the Council alone. Longer-term financial planning 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 recent Government reforms, especially in relation to housing and initial changes to local government finance; and thirdly the long awaited fair funding review and proposed further business rates retention proposals which should have a significant impact on the Council’s finances and hopefully provide some longer-term financial planning certainty.

2.3.2 Though no change has been modelled into the MTFS, the impact of Local Government Reorganisation and devolution will have an impact on the Councils finances. Until there is clarity on the outcome of these programmes, no changes have been proposed within the MTFS.

2.3.3 The following assumptions have been made in preparing the MTFS:

- That the fair funding review and business rate baseline reset does not occur until 2026-27 at the earliest, and it is assumed that within the MTFS the impacts are broadly net neutral – until further papers are released during 2025, the detail of this is difficult to determine, for example on transitional arrangements. Initial modelling that has been completed highlight that losses from, for example the resetting of business rates, would be equalised by greater funding for social care services. Until the Government provides further detail, a more in depth analysis is very difficult. It is clear that the Government will use levels of deprivation as the main proxy for demand pressures in Local Government⁵. As a Council with comparatively low levels of deprivation, West Berkshire will receive lower shares of future funding, which will only increase the level of financial pressure facing the Council.
 - 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 funding levels are shown as flat to reflect the consolidation of future funding changes from Government from 2026-27 and beyond that are assumed to be broadly neutral.
 - 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
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- Inflation remains at 2% in the longer-term – this is consistent with the latest Office of Budget Responsibility forecasts⁶
- 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 partners disclosing their intentions and objectives in relation to investing in infrastructure, delivering core services and transforming how the Council delivers its services in the future

3. Medium-Term Financial Plan (MTFP)

Line ref	Medium Term Financial Plan (MTFP)	2025/26	2026/27	2027/28	2028/29
		£m	£m	£m	£m
	Council Tax income	2.99%	2.99%	2.99%	2.99%
	Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
1	Council Tax (incl. ASC)	131.6	139.4	147.5	156.2
2	Retained Business Rates	30.6	31.5	32.5	33.5
3a	Adult Social Care BCF and iBCF ringfenced funding	8.9	9.0	9.2	9.3
3b	Social Care Grant	10.3	11.3	12.4	13.7
3c	ASC Market Sustainability & Improvement Fund	2.2	2.2	2.2	2.2
3d	ASC discharge fund	0.5	0.0	0.0	0.0
3e	CSC funding	0.3			
4a	New Homes Bonus	0.8	0.8	0.8	0.8
4b	Services Grant	0.0	0.0	0.0	0.0
4c	Other non-ringfenced grants	1.0	1.0	1.0	1.0
4d	Funding floor guarantee grant	0.0	0.0	0.0	0.0
4e	Extended Producer Responsibility Funding (EPR)	4.7			
4f	Domestic Abuse Safe Accommodation Grant	0.3			
4g	Employers NICs funding	1.5			
5	Collection Fund deficit (-)/ surplus	-5.6	0.0	0.0	0.0
6	Funds Available	187.0	195.2	205.7	216.7
7	Base budget after adjustments	167.1	183.4	186.2	196.5
8a	Pay inflation	6.5	3.7	3.8	3.9
8b	Contract inflation and non pay inflation	1.8	1.8	1.8	1.9
8c	Modelled growth	8.1	8.5	7.0	6.0
9a	Investment	4.0	3.5	3.5	3.5
9b	Commercial property loss of income	0.9	0.0	0.0	0.0
9c	Capital financing	3.3	2.0	2.0	2.0
10a	Savings and income proposals identified	-6.2	-2.8	0.0	0.0
10b	Efficiency savings inc vacant posts	-2.0	-3.0	-3.0	-3.0
10c	Savings and income gap	0.0	-11.0	-4.8	-3.3
11	Annual Budget Requirement	183.4	186.2	196.5	207.4
12	One off investment/-savings	0.0	0.0	0.0	0.0
13	Net Budget Requirement for Management Accounting	183.4	186.2	196.5	207.4
14	Adult Social Care BCF and iBCF ringfenced expenditure	8.9	9.0	9.2	9.3
15	Budget Requirement	192.3	195.2	205.7	216.7
16a	Use of Existing Fund Reserves	-2.3	0.0	0.0	0.0
16b	Use of Exceptional Financial Support (EFS)	-3.0	0.0	0.0	0.0
17	Budget Requirement after use of reserves	187.0	195.2	205.7	216.7
	General Fund	1.6	1.6	1.6	1.6

⁶ <https://www.bankofengland.co.uk/monetary-policy/inflation>

3.1 The MTFP is based upon several assumptions which are considered below:

Ref	Item	Commentary
1	Council Tax income	<p>This is the amount of Council Tax (excluding the ASC precept, see below) raised. A 1% change in the Council Tax base⁷ or Council Tax levied equals approximately £1m. Council Tax provides 70% of the Council's total funding excluding fees and charges (including the ASC precept)</p> <p>Any increase of this number above 2.99% must be the subject of a public referendum</p>
2	Retained Business Rates	<p>The Council collects approximately £125m per year of business rates and is allowed to retain some of this through a government scheme. The amount remaining for WBC after payments to Central Government is just over £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</p>
3a	ASC BCF / I-BCF ring-fenced funding	<p>This is the Adult Social Care (ASC) Better Care Fund (BCF) or Improved Better Care Fund (iBCF). This income is exactly matched by subsequent expenditure in the MTFFS and is ring-fenced to support the integration of care services with NHS partners</p>
3b/c/d/e	Social Care Grants	<p>Non-ringfenced grant from Government (3b) with 3c and 3d implied non-ringfenced, but with certain supporting data to be determined by government regarding what activity this supports. 3e relates to new funding from government for Children's services. As part of the funding reforms, the expectation is that these sums will be included in the fair funding review</p>
4a	New Homes Bonus	<p>The New Homes Bonus is a scheme from the Government in place since 2010 that allows Councils to retain the equivalent Band D Council Tax on all additional homes built in the district for one year. This amount will be removed from 2026-27 onwards but an equivalent amount has been retained in the MTFFS to highlight some form of replacement in the future, and the potential inclusion of this grant into the wider finance settlement</p>
4b/c/d/e/f	Services grant and other non-ringfenced grants	<p>Services grant – removed from 2025-26. 4c 'other' grants to be rolled into the settlement in future years. The Floor Funding guarantee has been set to a much lower level in 2025-26 compared to 2024-25.</p> <p>4e is a new grant to be rolled into the overall finance settlement in future years.</p> <p>4f is additional homelessness funding, again assumed to be included in future finance reforms from 2026-27 onwards</p>
5	Collection Fund (change to taxbase)	<p>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 these sums in the year of occurrence, but in the subsequent financial year</p>

⁷ The number 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 prior financial year
8a	Pay inflation	Increased costs due to any pay award (2.5% assumption), higher employer pension costs and incremental pay changes
8b	Contract inflation and 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) contract. 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. Significant increases for Adult Social Care, Children's social care and 'transitions' costs of young people moving into Adult Social Care. The National Insurance increases faced by social care providers will be a pressure in this budget.
9a	Investment in Council Strategy priorities	Funding investment to deliver the Council Strategy
9b	Investment – commercial property	Reflective of reduced income from commercial property income as the Council disposes of commercial property assets
9c	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 as the future borrowing costs of the Council have more than doubled since setting the 2022-23 budget, and therefore the revenue funding needed to finance capital spend will either need to increase in the MTFS (to fund the previous level of Council-funded programmes) or reduce to fund fewer Council-funded projects
10a and b	Savings and income proposals identified	Items that reduce in cost via the themes identified
10c	Savings and income gap in future years	This is the sum that the organisation is required to find in future years in order to balance expenditure against forecast funds available.
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 reserve to support future budgets and cover the Collection Fund deficit. Also – to restore reserves in future years
16b	Exceptional	Request to the Government for funding to support the 2025-26

	financial support	budget. The Council is expecting to finance the majority of this through future capital receipts so does not expect a significant revenue cost in the MTFs of financing this request
17	Budget requirement	The new budget that equates to the funds available in line 6

3.2 The MTFs considers investments as well as savings. The latter is discussed in further detail below but, importantly, the MTFs has allocated investment sums for application during the next four financial years. This investment potentially relates to a wide range of areas and remains in accordance with the Council Strategy’s ambitions – i.e. investing in achieving the Strategy, continuing to develop organisational strengths and investing in infrastructure that will deliver the Council Strategy and other supporting strategic objectives. The Council has a substantial savings requirement for future years of over £30m over four years (as detailed in the MTFP above). It is critical that the Council implements a robust financial plan for 2025-26, especially once the sector-wide finance reforms and savings requirements are known, to ensure that the Council is financially viable and has balanced budgets throughout the MTFs.

3.3 The council has submitted a request for Exceptional Financial Support. The basis of the request is twofold: - firstly to respond to significant pressures incurred in 2024/25 as detailed in quarterly financial performance monitoring reports; and secondly to bolster reserves. The Council’s General Fund position is such that the ability to respond to financial pressures and unforeseen events is limited. By strengthening the General Fund, this will allow the Council further scope to implement the transformation programme and drive existing savings proposals through to completion.

Savings proposals are classified as follows:

Directorate savings requirement

This element is the expected annual savings requirement across directorates. An organisation the size of the Council will always be able to identify efficiency savings through the greater use of technology, service reviews, Value for Money benchmarking and fees and charges reviews

Identified savings proposals

These are schemes that are already identified and highlighted for future years

Transformation proposals

These are indicative savings proposals from 2026-27 highlighted through the Council’s transformation programme. There will likely be further opportunities in this area from emergent technology and digital schemes. Individual schemes are detailed within the Council’s Capital Strategy, Appendix C Flexible Use of Capital Receipts

Residual savings required

These are savings that need to be identified in early 2025-26 for future financial years to ensure a balanced budget position.

Reserves - £13m contribution via exceptional financial support

As highlighted in the Revenue Budget papers, the Council's reserves are comparable with other UK councils with similarly low levels. The Council has requested this sum of exceptional financial support as a one-off contribution to enable longer-term transformation by bolstering the Council's reserve position and supporting some of the key risks in the Revenue Budget and MTFS.

3.4 It is also important for the MTFS to consider different scenarios that relate to the MTFP. Appendix A provides an outline of the scenarios modelled.

4. Priorities

4.1 The overarching priorities of the MTFS are:

- To ensure a balanced financial position during the medium-term
- To provide time to allow sufficient transformational activities to occur
- To ensure that there are sufficient resources to deliver the Council Strategy
- To enable longer-term decision making by setting financial planning within a four-year timeframe

5. Actions

5.1 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, and this interaction is noted below. The key action is to ensure a fully balanced MTFS and ensure that the Council is financially fit for the future.

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. Implementation

6.1 The MTFS is implemented through the revenue budget for the year ahead (2025-26) as well via the oversight of the Budget board. The Budget board is an internal board which considers changes to financial planning assumptions as well as future options for delivery of the MTFS.

6.2 The MTFS also provides a steer for officers on the strategic approach to adopt and the themes articulated above will assist in defining future budgets.

7. Conclusion

7.1 The MTFS highlights a position whereby the Council is not reliant upon Exceptional Financial Support (EFS) in the medium-term. This is crucial in protecting the Council's long-term financial stability. The request for EFS is a measure to enable a one-off injection of funds to the revenue budget and to manage risk and facilitate longer-term transformation across the Council whilst removing the immediate risk of issuing a s114 notice. Strategies have been formulated to support the financial wellbeing of the Council. Additional financial monitoring will be required but the Council has a clear path to securing a balanced financial position in the immediate future, with reserves restored to the minimum level set by the s151 Officer. This will be a critical success for the Council, and the one-off EFS injection by Central Government that has been requested is an important step to providing initial financial support with the Council still needing to take the necessary decisions to balance the budget in the future.

Glossary

Section 151 Officer – the Council's Chief Financial Officer

Exceptional Financial Support – a request of Central Government to secure one-off additional funding via a ‘capitalisation directive’ issued by the MHCLG (Ministry of Housing, Communities and Local Government). This request will need to be approved in principle by the minister responsible during February 2025, then in full later in the 2025-26 financial year.

s114 notice – this is issued by the Council’s s151 Officer to Full Council outlining that future outgoings exceed the Council’s financial resources. This is a de facto notice of ‘bankruptcy’ by the Council and would lead to the imposition of draconian spending controls.

Appendices

Appendix A – MTFP Scenario Planning

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The table below itemises some potential changes relating to specific lines in the MTFP – all are estimates. The amounts detail the cumulative position during the MTFS period of 4 years:

Scenario	Best / highest case	Financial impact	Worst Case	Financial impact
National Insurance increases in social care	No impact – contained by providers	£0	Implication in line with national projection ⁸	£3m use of exceptional financial support allocated to reserves
Council Tax base changes	2% growth p.a.	£1.7m extra per annum	0% growth from 2024-25	£0.7m per annum
Business Rates reset and fair funding review from 2026-27	No reset – keep retaining growth	N/a	Full reset – no transition	£5 to 10m decrease from 2025-26 plus impact of fair funding review
Agency costs (staffing) within social care continue at current level leading to an overspend	Further reductions	£1m in-year benefit	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 p.a.
Capital financing costs	Rates reduce by 2%	£0.4m	Increased rates of 1%	£0.2m p.a.
ASC finance model	Per 'best' case	£800k impact per 1% increase in costs	25/26 built on 2% inflation, worst case 10%	Additional overspend £6.4m
CFS finance model	Per 'best' case	£1m benefit	Per 'worst' case	£1.1m overspend

Council Tax base changes

A 1% increase in the Council Tax base equates to approximately 650 Band D (with no discounts or benefits) properties and just over £1m of 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 an annual 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 period of the MTFs. Councils can increase Council Tax above this level but would need to conduct a referendum with residents first. It is assumed in MTFs scenario planning that this would not occur.

ASC precept

This is similar to the above in that a maximum level of 2% is allowable.

Business Rates and Fair funding review

This has been articulated in the MTFs but the Council is currently above its 'business rates baseline' by over £5m. This is the amount at which Central Government, when creating the retention of business rates in 2013-14, assessed as the business rates amount that the Council collected and subsequently retained after accounting for transfers to Central Government. If Central Government implemented a reset to the underlying business rates baseline, this would cost the Council well above £5m a year on the basis of the growth in business rates above this baseline level during the last ten years.

Agency costs

The Council is facing significant pressures on recruiting and retaining permanent 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 successfully reduce agency costs.

Inflation and pay award

Inflation has been slower to reduce than forecast, presenting pressures on expenditure budgets and feeding through into higher financing (interest costs and PWLB rates). The pay award has been budgeted applying a 2.5% pay increase assumption for 2025/26.

Capital financing costs

Assumptions supporting capital financing are detailed within the Council's Investment and Borrowing Strategy.

ASC finance model

This model is presented to Executive every quarter as part of budget monitoring. The model discloses best-case and worst-case costs scenarios. The 2025/26 model provides for the expected costs with a 2.0% inflation uplift. Current modelling indicates a potential financial risk of approximately £800k for every 1% over the 2% modelled.
