
Medium-Term Financial Strategy: Financial Years 2026-2030

Committee considering report:	Council
Date of Committee:	26 February 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	C4678

1 Purpose of the Report

- 1.1 The purpose of the Medium-Term Financial Strategy (MTFS) is to determine financial planning assumptions for future years and align these with the Council Strategy to ensure that strategic objectives are delivered. The MTFS highlights the overarching key issues facing the Council's finances and references the scenarios and wider uncertainties concerning the Council's future revenue streams in light of national and local economic factors.

2 Recommendations

- 2.1 Unlike the Capital Strategy and Investment and Borrowing Strategy, the Council is not required to establish a Medium-Term Financial Strategy (MTFS). However, it is a matter of best practice to undertake longer-term financial planning in support of the annual budget setting process.
- 2.2 It is recommended that Council approve the Medium Term Financial Strategy (MTFS). The MTFS is detailed in this report and appendices.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	All financial implications are detailed in the report.
Human Resource:	Not applicable.
Legal:	Not applicable.

Medium-Term Financial Strategy: Financial Years 2026-2030

Risk Management:	Adopting a Medium-Term Financial Strategy supports the effective management of the use of the Council's financial resources in a volatile and challenging environment.
Property:	Not applicable.
Policy:	The MTFs' purpose is to assign financial resources to deliver the Council Strategy.

	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		

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Council Strategy Priorities:	X			See policy comment above – the MTFS should enhance the delivery of the Council Strategy through aligning resources to it.
Core Business:		X		
Data Impact:		X		

Consultation and Engagement:	Corporate Board Financial Planning and Savings Board
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4 Executive Summary

4.1 The MTFS, Treasury Management Strategy, Capital Strategy and supporting Revenue Budget, set out the financial landscape of the Council over the period 2026/27 to 2029/30. When reviewing the MTFS, three key factors need to be considered: Fair Funding Reform 2.0, forecast expenditure and Exceptional Financial Support (EFS).

4.2 **Fair Funding 2.0:** For financial year 2025/26 the Council approved a net revenue budget of £184 million which was supported by a provisional EFS request of £3 million. Under the Fair Funding Review 2.0, the three year funding settlement released in December 2025, will see the Council received the following funding allocations:

Core Spending Power (CSP) per Government Settlement (December 2025)	2025/26	2026/27	2027/28	2028/29
	£millions	£millions	£millions	£millions
Net Revenue Budget Requirement	183.4			
Core Spending Power inclusive of Council Tax, Retained Business Rates and Revenue Support Grant(s)	179.8	184.0	187.2	190.9

4.3 When considering the funding allocations, it should be noted that the 2026/27 funding allocation is almost equal to the net revenue budget of financial year 2025/26, which in itself was set utilising provisional EFS. Therefore, any growth in the Council's future expenditure budget for 2026/27 is essentially unfunded without the identification of a matching quantum of savings. This challenge is set against an in year (2025/26), forecast overspend position of £8.5 million (£11.5 million when considering £3 million of EFS utilisation). Over the MTFS, expenditure, is forecast to be considerably higher than funding allocated:

Core Spending Power (CSP) per Government Settlement (December 2025)	2025/26	2026/27	2027/28	2028/29
	£millions	£millions	£millions	£millions
Net Revenue Budget Requirement	183.4	210.9	221.0	228.8
Core Spending Power inclusive of Council Tax, Retained Business Rates and Revenue Support Grant(s)	179.8	184.0	187.2	190.9

Forecast Expenditure 2025/26 (Quarter Three)	192.0
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4.4 **EFS:** The Council had a General Fund balance of £4.1 million on 1st April 2024 to support the 2024/25 net revenue budget of £164.4 million. In December 2024, the Council sought £13 million of EFS to support the reserve position (outturn 2024/25 was an

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overspend of £6.8 million). This enabled the Council to achieve the s151 recommended minimum General Fund balance to support the net 2025/26 revenue budget. However, a challenging 2025/26 in year financial position, has presented a significant pressure against the Council's minimal General Fund, resulting in a revised 2025/26 £20 million EFS request as detailed below:

General Fund Balances	£millions
Opening Balance 1.4.2025	10.6
2025/26 in year utilisation of reserves (per approved revenue budget)	-2.3
2025/26 in year utilisation: Forecast overspend as at quarter three with contingency for accounting adjustments	-12.5
Forecast closing balance 31.3.2026	-4.2
Application of EFS	20.0
Revised forecast closing balance 31.3.2026	15.8
s151 Recommended General Fund to support the 2026/27 net revenue budget	10.5
Funding for creation of risk reserves to cushion unforeseen demand pressures	5.3

4.5 A key financial consideration for the Council is building resilience into the reserve position. The revised EFS request for 2025/26 allows the Council to start to build the reserve position to support the Council in future financial years. Alongside building resilience in the reserves, the Council requires EFS to balance the annual budget gap between forecast expenditure and allocated funding (Core Spending Power).

4.6 **Expenditure Growth:** Over the life of the MTFs, the Council has forecast considerable expenditure growth of +£53.3 million (compared to the 2025/26 net revenue budget, or 29%), net of savings strategies. This growth (excluding savings targets), in expenditure primarily relates to social care commissioning budgets +£39.4 million and growth in the base budget +£41.2 million, driven by annual pay inflation, pension deficit contributions, and contractual inflation on supplies & services contracts. These figures are largely worst case scenarios, based on a significantly adjusted 2026/27 base budget and will be subject to annual review and adjustment. The 2026/27 proposed net revenue budget, has a +£27.5 million, (+14.98%), increase compared to the 2025/26 net revenue budget, and a +£19million, +9.88% increase compared to the 2025/26 forecast outturn position. A significant proportion of the increase is attributable to both adults and children's social care commissioning costs. A key consideration when setting the 2026/27 is the robustness of estimates underpinning the revenue budget build, these are detailed within the s25 Statement of the s151 Officer in appendix J of the Revenue Budget paper.

4.7 The table below provides background on the growth in the net revenue budget, including the level of savings identified as part of the budget setting process:

Net Expenditure Growth Trends (£millions)	2022/23	2023/24	2024/25	2025/26	2026/27
Base Budget	138.5	151.3	163.6	167.1	184.2
Base Budget Growth	10.6	16.5	17.5	24.5	31.2
Savings Applied including one off savings reversed back into the subsequent years base budget	-5.3	-9.1	-16.5	-8.2	-4.5
Net Revenue Budget Approved/Proposed	143.8	158.8	164.6	183.4	210.9
Published / forecast outturn - overspends	4.7	3.10	6.80	8.50	
Growth - gross annual growth plus overspend, less savings	10.0	10.5	7.8	24.8	26.8

4.8 The Council is cognisant of the financial constraints in which it is operating. The significant revenue pressures projected within the MTFs (detailed in Appendix C), do require robust mitigation strategies, focused on transformation, asset disposals (to

generate capital receipts to minimise capital financing costs), and investment in the prevention agenda to avoid further significant social care commissioning pressures. The Council has approved the creation of a Finance Improvement Group, inclusive of external specialist representation to monitor and support the development of savings and transformation strategies. The MTFS, has been created with £15 million of required annual savings in respect of financial years 2027/28 through 2029/30.

- 4.9 Following the conclusion of savings identification exercises, the Council is unable to set a balanced budget for financial year 2026/27 without seeking additional financial support from Central Government. A request for such financial support was submitted on 12th December 2025. Without approval of this support, or alternatively a robust plan of efficiencies (of such scale, well beyond those of prior financial years), provided for review to the Executive, the s151 officer will be required to issue a Section 114 report/notice. This pattern is repeated annually throughout the MTFS.

5 Supporting Information

- 5.1 The organisational position for many Local Authorities is one of overwhelming financial pressure, set against a backdrop of significant financial reform for the sector. In recent years, there has been an unprecedented increase in the number of councils either issuing a Section 114 notice or raising concerns that this is probable in the short to medium term. In the 2025/26 financial year, thirty councils (nineteen councils in financial year 2024/25), are in receipt of Exceptional Financial Support. This number is expected to rise further in financial year 2026/27. West Berkshire Council is currently in receipt of Exceptional Financial Support and anticipates over the medium-term to require additional financial support from Central Government. It should be noted that three of the six Berkshire unitary councils are also in receipt of Exceptional Financial Support. Exceptional Financial Support is effectively a capitalisation request which allows an authority to suspend capital accounting rules and capitalise revenue expenditure. Any financial support is not provided to the authority as a loan or other form of borrowing, but is granted as an accounting adjustment at outturn based upon prevailing operational needs, which has subsequent Minimum Revenue Provision impacts. Relevant accounting adjustments are subsequently reflected in the associated Draft Statement of Accounts and the subsequent financial years capital financing requirement.

Funding

- 5.2 In December 2025, the government issued a multi-year financial settlement covering Core Spending Power (CSP) for the period 2026/27 to 2028/29. In essence, Figure 1 below provides a high level impact analysis, showing a reduction of (£14.1) million in long term government funding, offset by assumed Council Tax receipts growth of +£33.7 million, providing net overall growth of +£19.5 million, set against a baseline of 2024/25 funding.

Figure 1: Core Spending Power Impacts

Funding Settlement inclusive of Council Tax increases annually at 4.99%

Govt Core Spending Power Extract	2024/25	2025/26	2026/27	2027/28	2028/29
	£millions	£millions	£millions	£millions	£millions
Settlement Funding Assessment	171.4	179.8	184	187.2	190.9
Year on year change		4.90%	2.34%	1.74%	1.98%

Funding Settlement excluding Council Tax increases

Govt Core Spending Power Extract	2024/25	2025/26	2026/27	2027/28	2028/29
	£millions	£millions	£millions	£millions	£millions
Settlement Funding Assessment	47.2	48.2	44.1	38.7	33.1
Year on year change		2.12%	-8.51%	-12.24%	-14.47%

Inclusive of Better Care Fund, Homelessness Prevention and Families First ringfenced funding

5.3 The cumulative impact on funding, using 2024/25 as base, results in a compounded loss of funding of approximately (£27 million) across Retain Business Rates and central grant funding (Revenue Support Grant, RSG). **The Council's analysis of the settlement is detailed in Appendix A of this report.**

5.4 Within the context of financial planning, the Council's tax base has been reviewed. For financial year 2026/27, a reduction in the council tax base, driven by a reduction in the collection rate (i.e. dwellings after adjustment for reliefs, exemptions and premiums), has been processed. The collection rate has been reduced from a historic 99.5% to 98.6%, the financial quantum of the impact is detailed in figure 2 below, **with further analysis included in appendix B.**

Figure 2: Core Spending Impacts adjusted for Council Tax base amendment

Changes in Funding Streams - Annually	2024/25	2025/26	2026/27	2027/28	2028/29	cumulative
	£ms	£ms	£ms	£ms	£ms	
Assumed Council Tax growth at 4.99% annually	124.2	131.6	139.9	148.6	157.9	
Assumed Council Tax growth at 4.99% annually		7.4	8.3	8.7	9.3	33.7
Assumed Council Tax growth at 4.99% annually POST reset	124.2	131.6	136.5	144.5	153.0	
Assumed Council Tax growth at 4.99% annually POST reset		7.4	4.9	8.0	8.5	28.8
Retained Business Rates: Growth / (Reduction)		-0.4	-15.8	0.3	0.3	
Revenue Support Grant: Growth / (Reduction)		0.8	11.0	-5.8	-5.7	
Ringfenced non RSG: Growth / (Reduction)		0.6	0.7	0.1	-0.2	
Net movement in funding including Council Tax Growth / (Reduction) Pre Tax Base Reset		8.4	4.2	3.3	3.7	19.6
Net movement in funding including Council Tax Growth / (Reduction) POST Tax Base Reset		8.4	0.8	2.6	2.9	14.7
Net movement in funding excluding Council tax Growth / (Reduction)		1.0	-4.1	-5.4	-5.6	-14.1

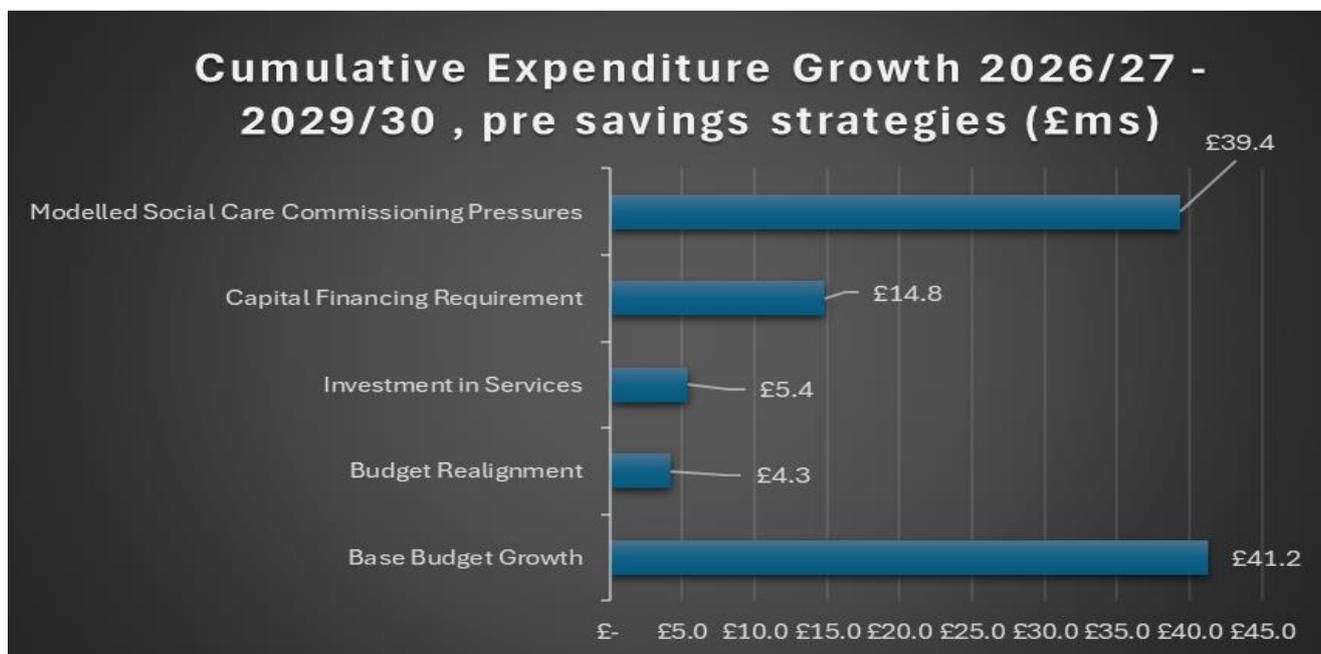
5.5 The settlement from Central Government effectively increases the Council dependency on Council Tax receipts to fund local services. By financial year 2028/29 of the government's settlement, local taxpayers will be funding 83.7% of local service delivery, compared to a historic average of 70%.

Expenditure Pressures

5.6 Consistent with the wider national context, the Council is facing significant cost pressures including:- 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 inflation; an increased deficit within the Higher Needs Block (HNB) in the Dedicated Schools Grant (DSG) and higher associated financing costs adversely impacting revenue. During the term of the MTFs, the net revenue budget is anticipated to increase, applying a worst-case scenario:

Figure 3: Cumulative, projected Net Revenue Budget Growth 2026/27 – 2029/30 (pre savings)



5.7 In historic financial years, the Council has implemented ambitious savings plans against the backdrop of escalating social care pressures. For financial year 2026/27, a number of historic savings, some of which upon review have been deemed to be unachievable due to either market place factors (the outsourcing of care homes and resources centres, increases in planning income), or eroded due to escalating inflationary pressures (staff efficiencies, eroded through national living wage rises, employer NI contribution changes), have been rebased or removed from the base budget. Additional reference to projected expenditure pressures is included in Appendix C of this report and the Revenue Budget Setting report for Financial Year 2026/27.

5.8 A significant area of projected pressure is the revenue capital financing requirement. The revenue capital financing requirement is traditionally the level of revenue budget allocated to funding the financing costs of delivering historic and projected capital programmes. However, capital financing is now also driven by the escalating HNB deficit, and the long-term financing of Exceptional Financial Support (via Minimum Revenue Provision (MRP)). A useful guide to the impact of financing the EFS on the overall revenue budget is the budgeted ratio of financing costs (cost of historic and planned capital programmes, MRP impacts of EFS and interest costs of financing the HNB deficit) to net revenue stream (available funding from Central Government, Retained Business Rates and council tax, unadjusted for any Collection Fund deficits).

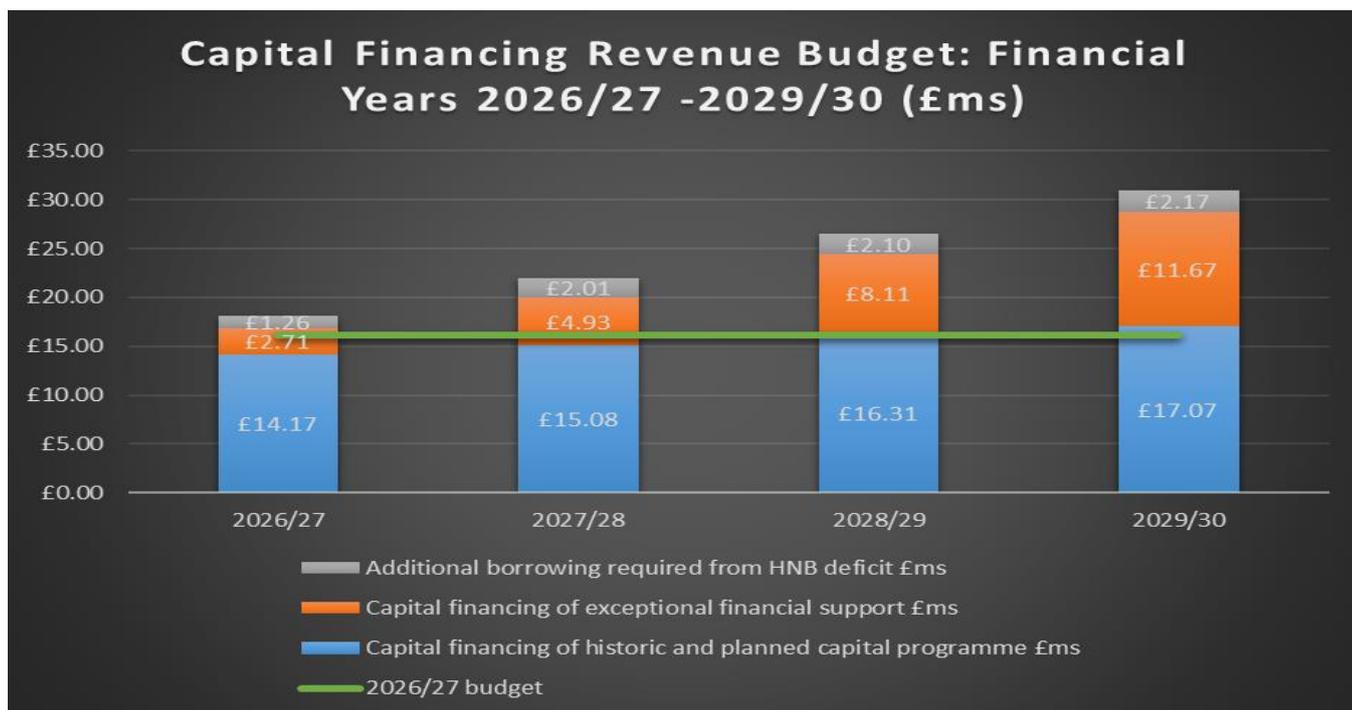
Figure 4: Ratio of capital financing costs against the net revenue stream

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Ratio of Financing Costs to Net Revenue Stream	2025/26	2026/27	2027/28	2028/29	2029/30
	Estimate	Forecast	Forecast	Forecast	Forecast
	£millions	£millions	£millions	£millions	£millions
Capital Financing Budgeted Costs	15.6	18.15	22.02	26.52	30.92
Net Revenue Stream	183.76	181.19	182.35	185.43	194.42
Ratio	8.5%	10.0%	12.1%	14.3%	15.9%
Adopted maximum ratio	10.0%	10.0%	10.0%	10.0%	10.0%

5.9 Based on the projected worst case scenario of the MTFs, by 2029/30 the capital financing budget will have grown by +£14.8 million as follows:

Figure 5: Breakdown of forecast capital financing costs over the life of the MTFs



5.10 The capital Financing Requirement (CFR) which is the Authority’s underlying need to borrow is being primarily driven by Exceptional Financial Support (EFS) from financial year 2026/27. The summary figure below shows the split of the change in CFR annually between financing the capital programme and financing EFS:

Figure 6: EFS as a percentage of annual CFR movement¹:

EFS as a percentage of CFR movement	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Movement in CFR	26.8	34.3	33.9	40.7	46.7
EFS Allocation	13.0	20.0	30.0	40.0	47.0
EFS as a percentage of CFR movement	48.5%	58.3%	88.5%	98.3%	100.6%

5.11 The proposed future capital programme has been significantly reduced due to the constraints on funding, generated by revenue pressures and a projected increasing requirement for seek EFS. Based on current projections in the MTFs, and the EFS requirement to support the reserves and net revenue budget in 2026/27, the Liability Benchmark will exceed the CFR in financial year 2027/28. This effectively means the internal investable resources (reserves, cash balances), have been fully depleted from an internal financing perspective and the Authority is fully exposed to interest rate risk, detailed in table below:

Figure 7: Comparison of CFR, Loans CFR and the Liability Benchmark

Comparison of CFRs and Liability Benchmark	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Closing CFR	319.7	354.0	387.9	428.6	475.3
Loans CFR	310.3	345.6	380.5	422.3	470.3
Liability Benchmark	259.9	309.3	369.1	435.4	490.0

5.12 Further detail on capital financing is included in the Treasury Management: Investment & Borrowing Strategy.

Funding Statement 2026/27 -2029/30

¹ Note: Treasury indicators are traditionally produced with a three year forward view, compared to the MTFs which is produced with a four year forward view. Although not specified in the above, the EFS forecast (as per the funding statement in appendix D), is.

EFS Requirement	2026/27	2027/28	2028/29	2029/30
Balance the revenue budget (see figure 8)	30.00	40.00	45.00	45.00
Maintain General Fund (see figure 9)	0.00	0.00	2.00	3.00
Total EFS	30.00	40.00	47.00	48.00

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5.13 The Council is in receipt of financial support from Central Government (2024/25 £13 million, and 2025/26 provisionally agreed £3 million, with revised request for £20 million submitted). The settlement issued under Fair Funding Reform 2.0, the adjustment to the council tax base, alongside significant projected inflationary pressures across the expenditure base, have resulted in a funding gap over the medium-term, as detailed in Figure 8 below:

Figure 8: Revenue Budget: Summary Funding Statement 2026/27 - 2029/30

Funding Statement	2025/26	2026/27	2027/28	2028/29	2029/30
	£ms	£ms	£ms	£ms	£ms
<i>Government Assumed Council Tax (Core Spending Power)</i>		139.87	148.61	157.89	
<i>Council Tax Increase</i>	2.99%	2.99%	2.99%	2.99%	2.99%
<i>Adult Social Care Precept</i>	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax	109.59	110.99	115.26	119.70	124.31
Adult Social Care Precept	22.05	25.29	29.04	33.10	37.48
Collection Fund Deficit on Council Tax	-0.99	-2.81	-2.50	-2.50	-2.50
Net Council Tax Funding Stream	130.65	133.48	141.80	150.30	159.29
Retained Business Rates	30.57	13.27	13.58	13.85	14.05
Collection Fund Deficit on Business Rates	-4.60	-0.48	-0.40	-0.40	-0.40
Net Retained Business Rates	25.97	12.79	13.18	13.45	13.65
Net Un Ringfenced Revenue Support Grant	21.55	31.64	24.47	18.78	18.58
Total Funds Available	178.17	177.90	179.45	182.53	191.52
Net Revenue Budget Requirement	183.44	210.93	221.03	228.84	236.70
Funding Gap	5.27	33.02	41.58	46.32	45.18
Funding gap supported by use of reserves	2.27	3.02	1.58	1.32	0.18
Funding gap supported by Exceptional Financial Support	3.00	30.00	40.00	45.00	45.00

5.14 It should be noted that the above funding gap is after application of a £15 million annual savings target applied to financial years 2027/28, 2028/29 and 2029/30. In 2026/27 £4.5 million of savings (detailed in the revenue budget paper), have been identified and applied. The detailed Funding Statement is included in Appendix D of this report, supported by Appendix E which details the projected reserve position in respect of financial years 2026/27 – 2029/30. The s151 recommendation General Fund equivalent to 5% of the net revenue budget remains a benchmark of good practice. When considering maintaining the s151 General Fund level over the course of the MTFs, the EFS ask is as follows:

Figure 9: Projected EFS

Exceptional Financial Support (£millions)	2025/26	2026/27	2027/28	2028/29	2029/30
Exceptional Financial Support to Balance Revenue Budget	3.00	30.00	40.00	45.00	45.00
Exceptional Financial Support to support reserves	17.00	0.00	0.00	2.00	3.00
Cumulative Exceptional Financial Support to balance budget and maintain General Fund	20.00	30.00	40.00	47.00	48.00

5.15 The council's treasury indicators detailed in the Treasury Management: Investment & Borrowing Strategy are based on the Council requiring EFS to balance the budget and maintain the s151 recommended General Fund level. This MTFs sets out the current projected worst case financial scenario over the medium term. With the establishment of the Financial Improvement Group (FIG) and supporting Financial Improvement Plan

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(FIP), the Council will be focused on reducing future expenditure pressures, reducing the EFS requirement in the medium term and associated financing implications.

6 Other options considered

The Council could consider not adopting a MTFs and focus on the financial position for the financial year ahead, but this strategy is not recommended as it would prevent longer-term financial planning and potentially have a negative impact upon the delivery of the Council Strategy.

7 Appendices

- 7.1 Appendix A - Core Spending Power Review, Financial Years 2026/27 - 2028/29
 - 7.2 Appendix B - Council Tax Base Reset Financial Year 2026/27
 - 7.3 Appendix C - Medium-Term Financial Plan (MTFP) Financial Years 2026/27 - 2029/30: Expenditure Assumptions
 - 7.4 Appendix D - MTFP Financial Years 2026/27 - 2029/30
 - 7.5 Appendix E - Reserve Position supporting the MTFP Financial Years 2026/27 – 2029/30
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Subject to Call-In:

Yes: No: X

- | | |
|---|--------------------------|
| The item is due to be referred to Council for final approval | X |
| 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"/> |

Medium-Term Financial Strategy: Financial Years 2026-2030

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Fair Funding Reform: Core Spending Power

A key driver of the Council's Medium-Term Financial Plan (MTFP) is Core Spending Power (CSP). CSP for a Local Authority is the government's estimate of the total funding available to the Council to spend on the delivery of key services, combining Central Government grants, retained Business Rates, and projected Council Tax receipts. CSP excludes key ringfenced grants such as the Dedicated Schools Grant. CSP has been subject to a significant overhaul as part of Fair Funding Reform 2.0, set to take effect in April 2026.

Central Government Grants

Core grant funding from Central Government is determined through the Settlement Funding Assessment (the settlement). The settlement was issued nationally on 17 December 2025 in relation to financial years 2026/27, 2027/28 and 2028/29. This was the current UK government's first multi-year settlement. The new multi-year settlement has seen several previously separate grants consolidated into the overarching Revenue Support Grant (RSG), which has a distribution formula heavily weighted towards deprivation (i.e. geographic areas with high deprivation markers). Alongside the RSG two, consolidated, ringfenced funding streams have been created: - Homelessness, Rough Sleeping and Domestic Abuse, and secondly, Families First Partnership, which is focused on the delivery of children's services.

West Berkshire is not deemed to be an area with high levels of deprivation; the Council is deemed to be in the bottom quartile nationally in relation to deprivation (i.e. scores 143 of 153 for deprivation). Deprivation is defined through a few centrally determined indicators set and reviewed by Central Government (IoD25 comprising seven standalone indexes which are combined and weighted to form the Index of Multiple Deprivation).

Retained Business Rates

Local Authorities can retain a percentage of Business Rates collected locally. Within the Business Rates reset in Fair Funding Reform 2.0, the new allocations are designed to reflect need, i.e. moving away from the traditional model of approximately 50% local retention of rates collected, to a new assessment of need with revised baselines. This move is referred to as the hard Business Rates reset, i.e. the full impact of the baseline reset is felt within the first year of the settlement (financial year 2026/27). The ability of a Local Authority to retain Business Rates is now driven through the Relative Needs Formula (RNF) and direct measures of local Business Rates income. The RNF is heavily weighted towards indicators focused on deprivation.

Council Tax

CSP under Fair Funding Reform 2.0, is heavily focused towards an Authority's ability to generate income locally through its Council Tax base. The settlement (extracted in Figure 1 below), is predicated on the assumption that Council Tax can be raised annually by the 2.99% below referendum threshold, alongside the 2.0% adult social care precept for upper tier authorities, of which West Berkshire is one.

Figure 1: Extract of Core Spending Power (the settlement)

Extract from Core Spending Power Table	2024/25 £millions	2025/26 £millions	2026/27 £millions	2027/28 £millions	2028/29 £millions	Total Funding Growth £millions	
Fair Funding Allocation:	0.0	0.0	41.3	35.7	30.3		
<i>Business Rates</i>	0.0	0.0	13.3	13.6	13.9		
<i>Revenue Support Grant (s)</i>	0.0	0.0	27.0	22.2	16.5		
<i>Better Care Fund</i>	0.0	0.0	1.0	0.0	0.0		
Legacy Funding Assessment:	44.8	45.1	0.0	0.0	0.0		
<i>Business Rates</i>	29.5	29.1	0.0	0.0	0.0		
<i>Grant (s)</i>	14.5	15.0	0.0	0.0	0.0		
<i>Better Care Fund</i>	0.8	1.0	0.0	0.0	0.0		
Council Tax Requirement	124.2	131.6	139.9	148.6	157.9	33.7	
Homelessness/Children's Grants	1.5	2.1	2.8	2.9	2.7		
Grants rolled into Revenue Support Grant	0.9	1.0	0.0	0.0	0.0		
Core Spending Power	171.4	179.8	184.0	187.2	190.9		
Funding Growth Year on Year		8.4	4.2	3.2	3.7	19.5	
Exc Council Tax: Cumulative impact using 2024/25 as annual base:			0.3	-3.5	-9.1	-14.5	-26.8

The 17 December 2025 Settlement

From a settlement perspective, in respect of the totality of funding allocated between financial year 2024/25 (on which the settlement is based), through to financial year 2028/29, the Council will provisionally receive £19.5 million of additional CSP. However, this increase is heavily weighted towards Council Tax rises. The overall CSP (which is base lined against 2024/25 funding) is analysed in the table below:

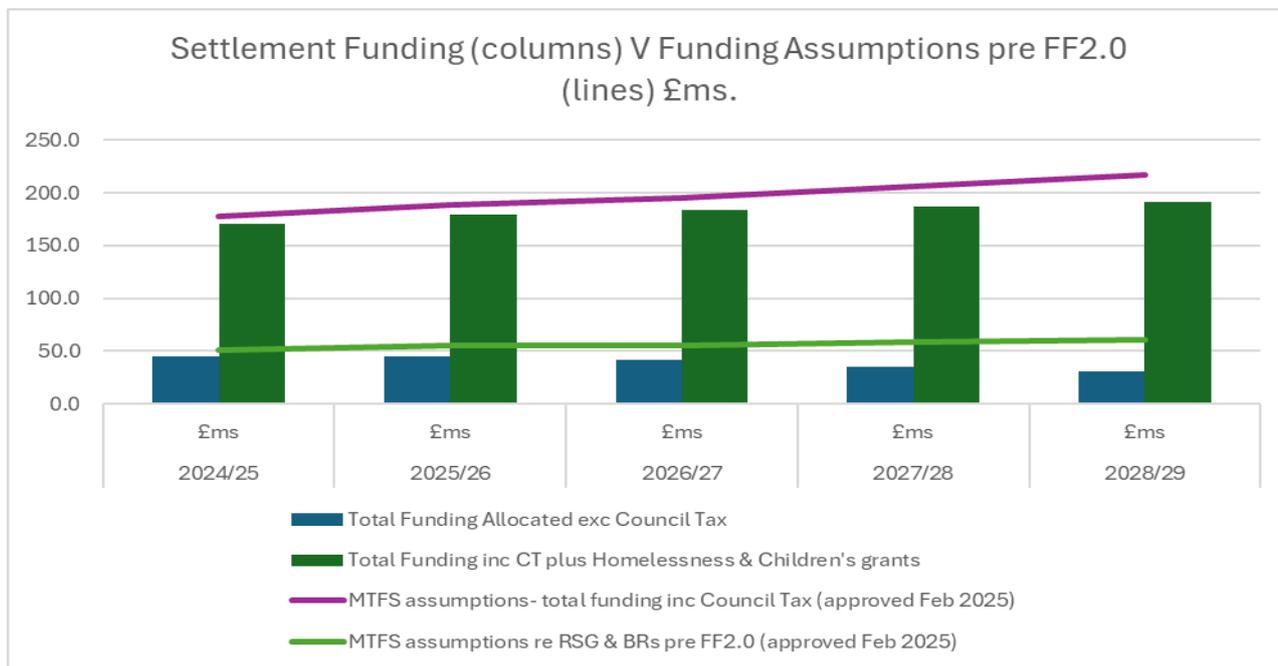
Figure 2: Net Changes in Settlement Funding Streams

Changes in Funding Streams - Annually	2024/25 £ms	2025/26 £ms	2026/27 £ms	2027/28 £ms	2028/29 £ms	cumulative £ms
Assumed Council Tax growth at 4.99% annually		7.4	8.3	8.7	9.3	33.7
Retained Business Rates Growth/ (Reduction)		-0.4	-15.8	0.3	0.3	
Revenue Support Grant Growth/ (Reduction)		0.8	11.0	-5.8	-5.7	
Ringfenced non RSG		0.6	0.7	0.1	-0.2	
Net movement in funding including Council Tax Growth/(Reduction)		8.4	4.2	3.3	3.7	19.6
Net movement in funding excluding Council tax Growth/ (Reduction)		1.0	-4.1	-5.4	-5.6	-14.1

Over the life of the settlement, government funding (inclusive of retained Business Rates), reduces by £14.1 million compared to the 2024/25 baseline. This reduction in funding and retained Business Rates is offset through £33.7 million of assumed Council Tax growth at an annual increase of 4.99% (against the 2024/25 baseline).

Through assumed Council Tax growth, the Council's CSP allocation is increased by over £19 million. Essentially, for CSP growth over the life of the settlement, the Council is increasingly dependent on Council Tax rises. Council Tax growth, instead of being additional income alongside Central Government funding, is essentially replacing government funding and reset Business Rates growth, resulting in lower overall levels of available funding (CSP) against thresholds projected prior to the introduction of the Fair Funding reforms. Figure 4 has been presented for illustrative purposes.

Figure 3: Comparison of post-Fair Funding Revenue Stream compared to February 2025 approved MTFS



The settlement reflects an increase in CSP of over £19 million compared to the 2024/25 baseline. However, this increase is only achievable by committing the Council to increasing Council Tax by the maximum annual increase of 4.99%. Without the application of Council Tax increases, CSP would (based on the settlement), be reduced over the term of the settlement, effectively removing an element of local discretion regarding Council Tax setting.

Furthermore, the main driver of CSP is the Council’s ability to generate income locally from its Council Tax base. As part of the preparation of the Medium-Term Financial Strategy (MTFS) 2026/27 – 2029/30, the Council’s tax base and the assumptions underpinning forecast growth have been reviewed. The settlement in contrast has utilised data from previously submitted statutory returns, resulting in a discrepancy between assumed Council Tax receipts achievable. The reset of the Council’s tax base and financial impacts is detailed in Appendix C.

Appendix B

Council Tax Base Reset

The Council Tax base is the number of Band D equivalent properties in a Local Authority area, calculated by adjusting the actual number of dwellings for discounts, exemptions, and premiums, before converting all properties (Bands A-H), into a single Band D figure. The tax base is a key metric in determining local revenue streams.

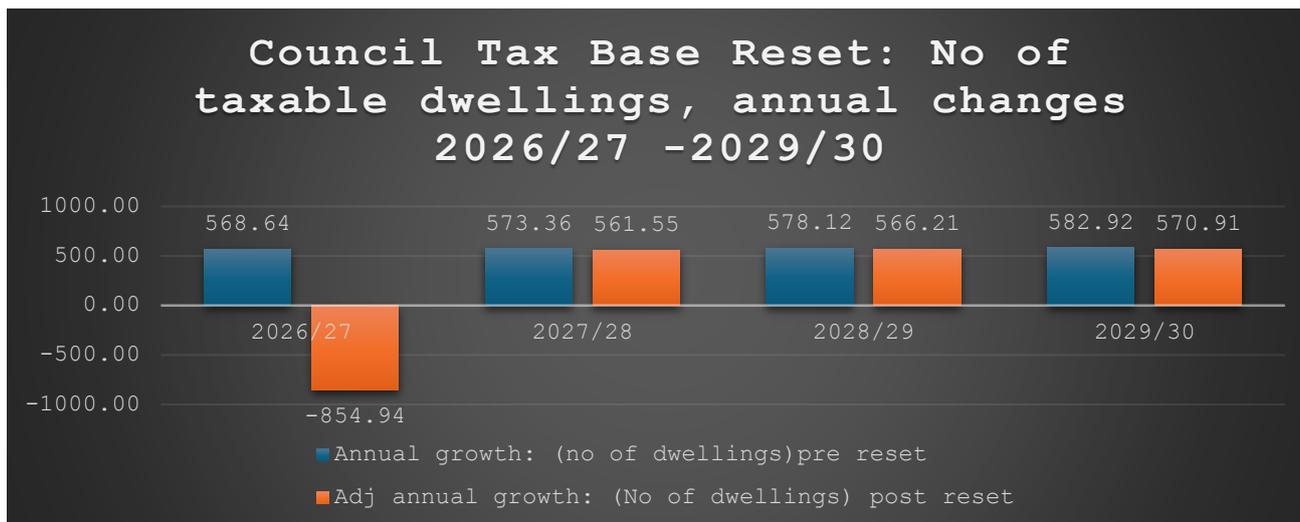
The Council's tax base has been under review as part of budget setting. Growth in the tax base has been identified as being considerably below previous forecasts. The current level of actual dwelling across the district when adjusted for collection purposes creates the need for a significant reduction in forecast for financial year 2026/27, reducing future growth of the tax base in subsequent financial years in the MTFS. The Council's collection rate, historically set at +99%, has been adjusted to 98.60%. The number of taxable dwelling has been reduced by 854.

The reduction in growth compared to projections is largely attributable to the wider economic environment, with the building of anticipated developments slowing in a prolonged period of high interest rates. The cost-of-living crisis has also resulted in the number of households seeking support and reliefs to grow during the reporting period.

The required adjustment to the tax base and impacts on the revenue stream are detailed below:

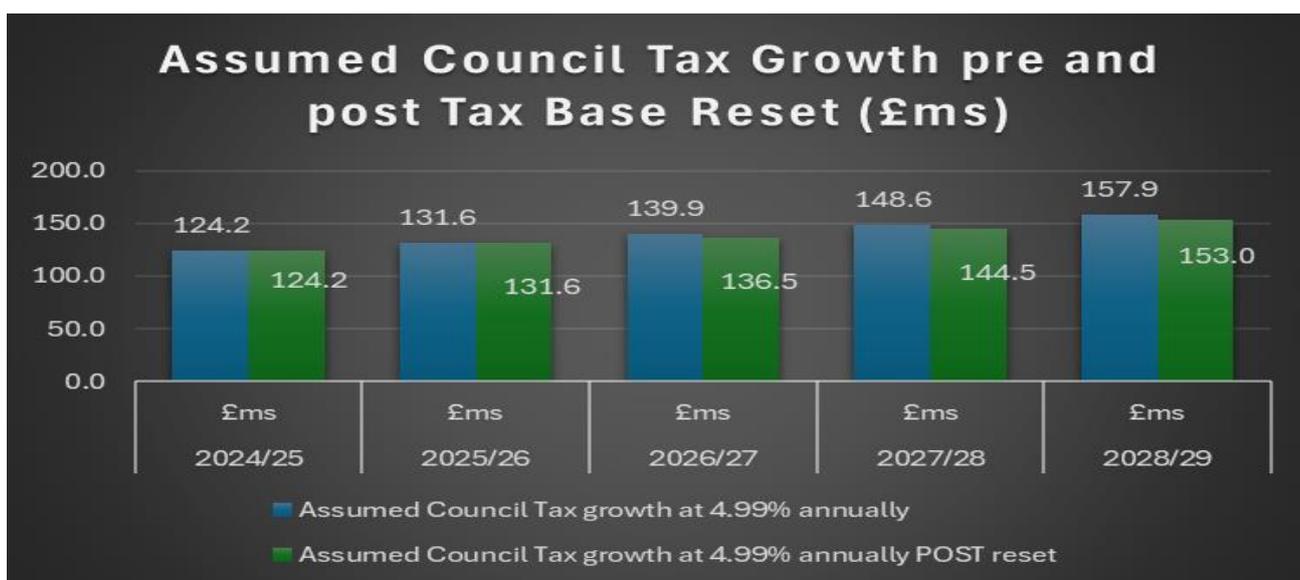
Tax Base	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Council Tax Increase %	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%
ASC Precept Increase %	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Base	67867.50	68511.33	69079.97	69653.34	70231.46	70814.38
Collection Rate	99.75%	99.50%	99.00%	99.00%	99.00%	99.00%
MTFS	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Council Tax Increase %	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%
ASC Precept Increase %	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Base	67867.50	68511.33	67656.39	68217.94	68784.15	69355.06
Collection Rate	99.75%	99.50%	98.60%	98.60%	98.60%	98.60%
Reduction in revenue stream			2,871,779.51	3,040,106.48	3,218,299.80	3,406,937.77
Cumulative reduction in revenue stream						12,537,123.56

Medium-Term Financial Strategy: Financial Years 2026-2030



The tax base is a key component of the Council’s Core Spending Power. The adjustment in the base effectively reduces the assumed increase in Core Spending Power in relation to the recent settlement from £19.6 million to £14.7 million:

Changes in Funding Streams - Annually	2024/25	2025/26	2026/27	2027/28	2028/29	cumulative
	£ms	£ms	£ms	£ms	£ms	£ms
Assumed Council Tax growth at 4.99% annually	124.2	131.6	139.9	148.6	157.9	
Assumed Council Tax growth at 4.99% annually		7.4	8.3	8.7	9.3	33.7
Assumed Council Tax growth at 4.99% annually POST reset	124.2	131.6	136.5	144.5	153.0	
Assumed Council Tax growth at 4.99% annually POST reset		7.4	4.9	8.0	8.5	28.8
Retained Business Rates: Growth / (Reduction)		-0.4	-15.8	0.3	0.3	
Revenue Support Grant: Growth / (Reduction)		0.8	11.0	-5.8	-5.7	
Ringfenced non RSG: Growth/(Reduction)		0.6	0.7	0.1	-0.2	
Net movement in funding including Council Tax Growth/(Reduction) Pre Tax Base Reset			8.4	4.2	3.3	3.7
Net movement in funding including Council Tax Growth/(Reduction) POST Tax Base Reset			8.4	0.8	2.6	2.9
Net movement in funding excluding Council tax Growth / (Reduction)			1.0	-4.1	-5.4	-5.6



Appendix C

Medium-Term Financial Strategy (MTFS) Financial Years 2026/27- 2029/30: Expenditure Assumptions

Expenditure Statement	2026/27	2027/28	2028/29	2029/30
	£ms	£ms	£ms	£ms
Base Budget:	184.17	210.93	221.03	228.84
Base Budget Growth	9.53	10.03	10.33	10.63
Budget Realignment	4.25	0.00	0.00	0.00
Investment in Services	0.42	4.52	0.22	0.22
Capital Financing Requirement	2.04	3.87	4.50	4.40
Modelled Social Care Commissioning Pressures	14.99	8.21	8.17	8.00
Social Care Commissioning Savings Identified	-3.32	-1.53	-0.40	-0.40
Non Commissioning Savings identified	-1.16	-1.10	-1.12	-1.14
Savings to be identified	0.00	-13.90	-13.88	-13.86
Net Revenue Budget Requirement	210.93	221.03	228.84	236.70

Budget Commentary:

Item	Commentary
Base Budget: Pay inflation	<p>Annual pay award assumption - 3.5%</p> <p>Additional incremental pay increases, added employer pension costs.</p> <p>Secondary pension contributions as prescribed by the Royal Berkshire Pension Fund.</p>
Base Budget: Contract inflation and non-pay inflation	<p>Actual contractual price increases pertaining to contracts for supplies and services.</p> <p>Key contract: Waste Private Finance Initiative (PFI) arrangement.</p> <p>Inflationary uplifts on energy, other utilities, and rates.</p>
Budget Realignment	<p>Whereby the budget is adjusted for a loss of income (e.g. disposal of an income generating property, change in charging legislation), or removal of historic efficiency targets, or removal of unmet savings whereby market factors have prevented realisation of the saving (e.g. disposal of care homes).</p> <p>Specific details of budget realignment are included in the Revenue Budget Setting Report: Financial Year 2026/27.</p>

Medium-Term Financial Strategy: Financial Years 2026-2030

Modelled budget growth	<p>Increases to demand-led social care services through estimated increases in client numbers and/or complexity</p> <p>Significant increases for adult social care, children's social care and 'transition' costs of young people moving into adult social care. The National Insurance and national living wage increases faced by social care providers will be a budgetary pressure.</p>
Investment in Council Strategy priorities	Funding investment to deliver the Council Strategy
Increase in capital financing costs	<p>The revenue funding for additional borrowing and MRP costs that support the delivery of the Capital Strategy and EFS.</p> <p>Values derived through the Council's liability benchmark and commissioned external treasury advice on predicted future interest rates</p>
Savings and income proposals identified	Items that reduce in cost via the themes identified.
Savings and income gap in future years	This is the sum that the organisation is required to find in future years to balance expenditure against forecast funds available.

Social Care Commissioning (Adults and Children):

Significant growth in investment into the commissioning budgets is a driver of the net revenue budget requirement. The unit costs associated with provision have seen significant inflationary increases. Unit cost rises are driven by the increases in the complexity of care needs alongside market forces (including national living wage increases), driving up costs. In financial year 2025/26, the total annual cost of care packages for the top twenty-five packages amounted to £13.1 million, compared to £4.9 million in 2019/20. £33.7 million net investment is projected to be required as an injection to the net revenue budget to support commissioned social care services during the life of the MTFs.

Capital Financing

The Council's revenue capital financing requirement, i.e. revenue budget to finance capital expenditure, is projected to increase by £14.8 million over the term of the MTFs. The financing requirement is being driven by the funding of historic capital programme projects, planned capital programme needs and the financing of the projected revenue funding gap (to be addressed via EFS requirements):

Appendix D

Medium-Term Financial Strategy (MTFS) Financial Years 2026/27 - 2029/30

Funding Statement	2025/26	2026/27	2027/28	2028/29	2029/30
	£ms	£ms	£ms	£ms	£ms
<i>Government Assumed Council Tax (Core Spending Power)</i>		139.87	148.61	157.89	
<i>Council Tax Increase</i>	2.99%	2.99%	2.99%	2.99%	2.99%
<i>Adult Social Care Precept</i>	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax	109.59	110.99	115.26	119.70	124.31
Adult Social Care Precept	22.05	25.29	29.04	33.10	37.48
Collection Fund Deficit on Council Tax	-0.99	-2.81	-2.50	-2.50	-2.50
Net Council Tax Funding Stream	130.65	133.48	141.80	150.30	159.29
Retained Business Rates	30.57	13.27	13.58	13.85	14.05
Collection Fund Deficit on Business Rates	-4.60	-0.48	-0.40	-0.40	-0.40
Net Retained Business Rates	25.97	12.79	13.18	13.45	13.65
Revenue Support Grant	16.24	27.04	22.17	16.48	16.28
Homelessness & Domestic Abuse Grant Funding Streams	0.32	1.43	1.47	1.51	1.71
Families First Grant Funding Stream	0.33	1.42	1.42	1.21	1.07
Homelessness & Domestic Abuse Grant Funding Streams (Ringfenced Expenditure)		-1.43	-1.47	-1.51	-1.71
Families First Grant Funding Stream (Ringfenced Expenditure)		-1.42	-1.42	-1.21	-1.07
Extended Producer Responsibility Grant	4.66	4.60	2.30	2.30	2.30
Net Un Ringfenced Revenue Support Grant	21.55	31.64	24.47	18.78	18.58
Total Funds Available	178.17	177.90	179.45	182.53	191.52
Base Budget:	167.15	184.17	210.93	221.03	228.84
Base Budget Growth	8.23	9.53	10.03	10.33	10.63
Budget Realignment	0.90	4.25	0.00	0.00	0.00
Investment in Services	3.97	0.42	4.52	0.22	0.22
Capital Financing Requirement	3.30	2.04	3.87	4.50	4.40
Modelled Social Care Commissioning Pressures	8.07	14.99	8.21	8.17	8.00
Social Care Commissioning Savings Identified	-1.80	-3.32	-1.53	-0.40	-0.40
Non Commissioning Savings Identified	-6.38	-1.16	-1.10	-1.12	-1.14
Savings to be identified		0.00	-13.90	-13.88	-13.86
Net Revenue Budget Requirement	183.44	210.93	221.03	228.84	236.70
Funding Gap	5.27	33.02	41.58	46.32	45.18
Funding gap supported by use of reserves	2.27	3.02	1.58	1.32	0.18
Funding gap supported by Exceptional Financial Support	3.00	30.00	40.00	45.00	45.00
Reserves	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Balances as at 1.4.xx annually	10.60	15.83	12.81	11.23	9.91
In year anticipated utilisation - planned in budget setting	-2.27				
Provision for any in year overspends and outturn adjustments	-12.50	-33.02	-41.58	-46.32	-45.18
Allocation of requested Exceptional Financial Support to balance budget	20.00	30.00	40.00	45.00	45.00
Allocation of requested Exceptional Financial Support to maintain General Fund				1.54	2.10
Projected Closing General Fund Balance	15.83	12.81	11.23	11.45	11.83
151 Recommend General Fund minimum level	9.20	10.55	11.05	11.44	11.83
Cumulative Exceptional Financial Support to balance budget and maintain General Fund	20.00	30.00	40.00	47.00	48.00

Assumptions:

Central Government funding inclusive of grants and retained Business Rates is detailed in Appendix A.

Medium-Term Financial Strategy: Financial Years 2026-2030

The net revenue stream derived from the Council Tax base with an assumed annual increase of 4.99% (2.99% pre referendum limit plus 2.0% adult social care precept) is detailed in Appendix A.

The Collection Fund deficit reflected for 2026/27 is based on submitted statutory returns. An assumption is made that it remains probable that deficits will be incurred year on year throughout the MTFS, requiring provision to be made against the net revenue streams for both Council Tax and retained Business Rates. The Collection Fund deficit is reflective of the wider economic environment. The position in the MTFS is the worst case scenario, it is anticipated that, as part of each annual review process the deficit will taper down, over the life of the MTFS. For prudence, the Collection Fund deficit has been maintained at £2.5 million annually. The Councils collection rate has been adjusted down to 98.6% (details in appendix B), for prudence, the Collection Fund deficit has been maintained at £2.5 million annually in years 2027/28 -2029/30.

Funds available is the total funding to support the net revenue budget. The MTFS is forecasting a significant shortfall between funds available and the net revenue budget requirement. The 2026/27 revenue budget has been finalised with £4.48 million of agreed savings. The MTFS for future years has been set with a £15 million savings requirement.

The base budget growth is reflective of the 2026/27 rebased budget position. The base budget will be reviewed annually as part of the budget setting process to assess if the level of growth reverts back to that seen in prior financial years.

The gap between available funds and projected net revenue expenditure over the life of the MTFS is £166.1 million which is proposed to be funded through a utilisation of reserves (£7.1 million) and EFS of £160 million encompassing the four financial years to 2029/30.

Appendix E

Medium-Term Financial Strategy (MTFS) Financial Years 2026/27 - 2029/30: Statement of Reserves

The Council's Statement of Accounts is produced at each financial year-end and details the Council's reserves and explains why they are held. Reserves are reported in two categories: unusable and usable reserves. Unusable reserves include those reserves which are housed to support the accounting processes for certain non-current assets and liabilities such as retirement benefits. Unusable reserves cannot be used to provide Council services. Usable reserves are those reserves that a Council may use to fund services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The level of usable reserves that the Council holds is reviewed each year as part of the budgetary process. Consideration is given to the current financial standing of the Council, the funding outlook into the medium-term and the financial risk environment that the Council is operating in.

Councils generally hold usable reserves for several reasons:

- To use later to support investment projects
- To temporarily hold unused portions of grants that can be legally used in future
- To insure against major unexpected events such as flooding
- To guard against general risk
- To smooth the impact of funding reductions
- To guard against emergent specific risks, such as Business Rates appeals, increased demand, and the impact of social care reform

The Council's usable reserves are as follows:

- General Fund reserve: held for non-specific items and risks
- Earmarked Reserves: amounts held for specific schemes and purposes e.g. self-insurance

Forecast Reserves Position

General Fund reserve: The purpose of the General Fund reserve is to provide an available balance to be used in emergencies and to protect taxpayers from any steep rises in future Council Tax if the Council overspends against its budget. The Section 151 Officer's recommended reserve level is a minimum of 5% of the Council's planned net revenue expenditure in respect of each financial year. The forecast General Fund position over the life of the MTFs is as follows:

Reserves	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Balances as at 1.4.xx annually	10.60	15.83	12.81	11.23	9.91
In year anticipated utilisation - planned in budget setting	-2.27				
Provision for any in year overspends and outturn adjustments	-12.50	-33.02	-41.58	-46.32	-45.18
Allocation of requested Exceptional Financial Support to balance budget	20.00	30.00	40.00	45.00	45.00
Allocation of requested Exceptional Financial Support to maintain General Fund				1.54	2.10
Projected Closing General Fund Balance	15.83	12.81	11.23	11.45	11.83
151 Recommend General Fund minimum level	9.20	10.55	11.05	11.44	11.83
Cumulative Exceptional Financial Support to balance budget and maintain General Fund	20.00	30.00	40.00	47.00	48.00

The MTFs assumes that savings targets will be achieved annually and that EFS will continue to be required to balance the funding gap and maintain the minimum recommended General Fund balance.

Other Key Earmarked Revenue Reserves:

Schools' reserves: This is an amalgamation of unspent and overspent balances relating to the revenue budgets of individual schools. There is a trend of diminishing surplus balances and increasing deficits emerging between financial years. There is a risk that if the level of deficits outweighs the level of surplus balances, the excess deficits will become chargeable to the Council's General Fund. Under accounting regulations, reserves are not permitted to become negative, apart from those reserves covered by statutory overrides. The MTFs does not currently make provision for excess school deficit balances becoming chargeable against the General Fund. Enhanced school data collection and budget monitoring is currently under implementation with a view to quantifying a more precise assessment of the level of risk to the General Fund. (Draft reserve balances as at 31st March.2025 £7.7 million).

Self-insurance fund: This fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims. (Draft reserve balance as at 31.3.2025 £0.9million).

Public Health Reserve: This is a reserve specifically for unspent Public Health monies which are ringfenced and cannot be applied to General Fund expenditure. (Draft reserve balance as at 31.3.2025 £1.12million).

Medium-Term Financial Strategy: Financial Years 2026-2030

Note: All reserve balances remain draft until the external audit opinion on the accounts is issued. At the time of writing this report the 2024/25 accounts were under audit by the Council's appointed external auditor KPMG.