



# **Medium-Term Financial Plan**

**2025/26 – 2028/29**

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# Foreword

Councillor Jeff Brooks, Lead Member for Finance and Chair of RBFA



It is my pleasure, as the Lead Member for Finance, to introduce the Authority's Medium-Term Financial Plan (MTFP). I am pleased the latest report from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services, states, "The service has good financial management arrangements in place and a range of assurance measures to keep control of its spending. Scenario planning is used effectively so that strategic plans are robust."

The MTFP has been drawn up against a macro-economic environment that remains challenging. Inflation is currently above the Bank of England's target of two per cent and the increase in employers national insurance contributions will have knock-on effects in terms of the cost of goods and services that the Authority purchases. Budget monitoring in the current financial year has highlighted persistent pressure on budget lines for goods and services. Fortunately, these cost pressures have been offset by additional interest received on the Authority's balances. However, in future years, a number of these reserves will be spent to fund the Authority's capital programme and so will not be available to generate interest.

Pay pressures continue to be a concern. The Grey Book pay award for operational staff is negotiated at a national level. The pay award agreed for 2024 was four per cent, whereas we had budgeted for a pay award that was a quarter of a percent less.

While the priority is to balance the 2025/26 budget, the MTFP must also look to match expenditure to funding in the medium term. A key driver to balancing the budget in the medium term will come from the ongoing implementation of the Authority's Efficiency and Productivity Plan and, in particular, the drive to transform business processes by exploiting new ICT capabilities. The Efficiency and Productivity Plan captures invest-to-save projects that will result in revenue budget savings in future years. As well as helping to secure financial sustainability for the Authority, in many cases, these projects will also contribute to the Authority's environmental strategy of reducing its carbon emissions.

In summary, the MTFP sets out clearly how the Authority will continue to control its cost base by delivering appropriate savings and efficiencies in 2025/26 and by establishing a programme to improve productivity over the medium term.



## Funding

The Authority receives around two-thirds of its funding from council tax so assumptions around precept flexibility plays a pivotal role in the Medium-Term Financial Plan.

Assumptions about future increases in the precept are shown in the table below.

|                        | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|------------------------|---------|---------|---------|---------|
| Council Tax rise       | 6.15%   | 1.99%   | 1.99%   | 1.99%   |
| Council Tax for band D | £86.31  | £88.03  | £89.78  | £91.57  |
| Annual Increase        | £5.00   | £1.72   | £1.75   | £1.79   |

As well as the level of council tax, revenue also depends on the size of the tax base. Growth in the tax base for 2025/26 is expected to be 1.3% which is above our planning assumption of 1%. In addition, there is an aggregate council tax collection fund surplus of £10,000.

Business rates income for 2025/26 will be £283,000 higher compared to the current year, although collection fund balances amount to an overall deficit of £106,000. In addition, section 31 business rates grants for 2025/26 are £173,000 lower than in the current year due to reduced reliefs.

In terms of Government funding, Revenue Support Grant (RSG) will increase by 1.7%. Business rates top-up grant has increased by 1.3% compared to 2024/25, whilst the Government's assumption about the business rates baseline is that it will increase by 2%. The Government has discontinued the Services Grant, worth £50,000 in 2024/25, as well as the Funding Guarantee Grant which was worth £770,000 in 2024/25.

### Assumptions for Funding in Future Years

- Settlement Funding Assessment to increase by 2% in years 2 to 4.
- Business rates surplus/deficit is zero in years 2 to 4.
- Collection Funds for council tax and business rates are budgeted to breakeven from years 2 to 4 on the basis that surpluses and deficits should even out over the medium term. For example, while there are always surpluses and deficits each year, the aggregate council tax collection fund position for the six unitary authorities in 2025/26 is a net surplus of £10,000.

A summary of funding projections is shown in the table below.





| <b>Funding</b>  | <b>2025/26<br/>£000</b> | <b>2026/27<br/>£000</b> | <b>2027/28<br/>£000</b> | <b>2028/29<br/>£000</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue Support Grant                                 | 5,747                   | 5,862                   | 5,979                   | 6,099                   |
| Business Rates Baseline                               | 5,907                   | 6,025                   | 6,146                   | 6,269                   |
| Business Rates Top-up Grant                           | 1,978                   | 2,018                   | 2,058                   | 2,099                   |
| <b>Settlement Funding Assessment</b>                  | <b>13,632</b>           | <b>13,905</b>           | <b>14,183</b>           | <b>14,467</b>           |
| S31 Business Rates Grants Baseline                    | 1,847                   | 1,884                   | 1,922                   | 1,961                   |
| S31 Business Rates Grants above Baseline              | 228                     | 233                     | 238                     | 243                     |
| Business Rates surplus / (deficit) above the baseline | 198                     | 0                       | 0                       | 0                       |
| Business Rates Collection Fund surplus / (deficit)    | -106                    | 0                       | 0                       | 0                       |
| Council Tax (incl. tax base growth)                   | 32,156                  | 33,288                  | 34,459                  | 35,674                  |
| CT Collection Fund surplus / (deficit)                | 10                      | 0                       | 0                       | 0                       |
| <b>Total Funding</b>                                  | <b>47,965</b>           | <b>49,310</b>           | <b>50,802</b>           | <b>52,345</b>           |



## Efficiencies

The financial pressures that the Authority has faced during 2024/25 have made the task of finding savings within the revenue budget all the more urgent. Building on the efficiencies that have been generated during 2024/25, further efficiencies have been identified for delivery in 2025/26.

Efficiencies are broken down into three categories: improved ways of working, contractual savings and other savings. In addition, we will initiate a series of invest-to-save projects which will help to alleviate the pressure on the revenue budget in the medium term.

In addition to the efficiencies exercise, we also built in additional rental income that will be generated in 2025/26.

The quantum of savings is shown in the table below.

| <b>Efficiency Plan Savings from Base Budget</b> | <b>2025/26<br/>£000</b> | <b>2026/27<br/>£000</b> | <b>2027/28<br/>£000</b> | <b>2028/29<br/>£000</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Improved ways of working                        | 61                      | 170                     | 25                      | 0                       |
| Contractual savings                             | 269                     | 76                      | 0                       | 0                       |
| Other savings                                   | 158                     | 12                      | 235                     | 44                      |
| Additional income generation                    | 29                      | 0                       | 0                       | 0                       |
| <b>Total</b>                                    | <b>517</b>              | <b>258</b>              | <b>260</b>              | <b>44</b>               |

Further detail on these savings can be found in our Efficiency and Productivity Plan.

The Productivity Board meets regularly to review progress and develop further efficiencies for 2026/27 and beyond.



## Budget Pressures

Pay accounts for three-quarters of the total revenue budget so pay awards have a significant impact on our ability to balance the budget. Pay awards for both Grey and Green book staff for 2025/26 are assumed to be 2% which is below the current rate of inflation. It should be noted that the pay award for Grey Book staff was 4% in 2024/25 against a budgeted increase of 3.75%.

The Government has announced an increase to employers' national insurance contributions from 13.8% to 15% for earnings paid on or after 6 April 2025. There will also be a decrease to the NICs Secondary Threshold from £9,100 to £5,000. The additional costs to the Authority of these changes will amount to £587,000 per annum. Although the Government confirmed that the Authority would receive a grant to fully offset these costs, it has now been confirmed that the Authority will only receive £305,000 rather than the full amount of approximately £587,000.

There will be a higher than usual pressure from pay increments in 2025/26 due to the numbers of operational staff that will be moving from Development rates of pay to Competent rates of pay.

There are various unavoidable pressures that the Authority faces as contracts are re-tendered.

Bids to strengthen key areas such operational training as well as implement technological change and improve the efficiency of key systems have been built into the base budget. A summary of budget bids is given overleaf.



| Budget Bids  | Duration | 2025/26<br>£000 |
|--|----------|-----------------|
| Investment in Operational Training resources                                   | 2 years  | 235             |
| Implementation resource for new Finance and Staff Development systems          | 1 year   | 100             |
| Investment in additional occupational health support for all staff             | ongoing  | 80              |
| Investment in improving the efficiency of Protection and Prevention activities | 1 year   | 70              |
| Additional annual cost of new Staff Development System                         | ongoing  | 50              |
| Direct Entry Station Manager (under NFCC scheme - from September 2025)         | 3 years  | 44              |
| Business Support - Data Analyst Apprentice                                     | 2 years  | 25              |
| Investment in support for HR in relation to external professional advice       | ongoing  | 20              |
| Employee referral scheme   | 1 year   | 12              |
| <b>TOTAL TAKEN INTO BUDGET</b>   |          | <b>636</b>      |





A summary of budget pressures is shown in the table below.

| <b>Pressures on Base Budget</b>     | <b>2025/26<br/>£000</b> | <b>2026/27<br/>£000</b> | <b>2027/28<br/>£000</b> | <b>2028/29<br/>£000</b> |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Grey Book pay award 2%, 2%, 2%, 2%  | 640                     | 530                     | 541                     | 552                     |
| Green Book pay award 2%, 2%, 2%, 2% | 181                     | 184                     | 188                     | 192                     |
| Employer NI Increase                | 587                     | 0                       | 0                       | 0                       |
| Employer NI Grant                   | -305                    | 0                       | 0                       | 0                       |
| Pay Increments                      | 736                     | 320                     | 326                     | 332                     |
| Additional On Call Costs            | 44                      | 0                       | 0                       | 0                       |
| Vacancy Factor                      | -119                    | 0                       | 0                       | 0                       |
| Unavoidable pressures               | 308                     | 0                       | 0                       | 0                       |
| Bids                                | 636                     | 78                      | 163                     | 89                      |
| Firelink Grant Reduction            | 74                      | 74                      | 0                       | 0                       |
| Contractual Inflation               | 116                     | 118                     | 120                     | 122                     |
| <b>Total</b>                        | <b>2,898</b>            | <b>1,304</b>            | <b>1,338</b>            | <b>1,287</b>            |



## Impact of Capital Investment

The Authority's Strategic Asset Investment Framework (SAIF) sets out a vision for the replacement and renewal of capital assets. Given the level of investment in our assets, the Authority has always recognised the need to allocate a base amount of the revenue budget to directly fund shorter-life assets. If MTFP assumptions hold in the medium term, especially in relation to pay, we intend to continue with this policy of revenue funding short-life assets.

Capital receipts, the Development Fund and some borrowing will be used to finance the property element of the SAIF as well as other SAIF projects that cannot be funded from the annual revenue budget. The financing costs of SAIF projects that are planned over the next four years have been built into the MTFP.

Annual changes to the base revenue budget from capital activities are shown below.

| Revenue Implications of Capital Programme          | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|
| (Additional)/Reduced Investment Income on Balances | -30             | 75              | 196             | 0               |
| Reduced Voluntary Revenue Provision                | 0               | -41             | -59             | 0               |
| Direct Revenue Funding of Capital                  | -346            | 0               | 0               | 56              |
| Additional financing costs of capital programme    | -4              | 265             | 277             | 244             |
| <b>Total</b>                                       | <b>-380</b>     | <b>299</b>      | <b>414</b>      | <b>300</b>      |

While financing costs rise over the next four years due to interest payments from increased borrowing and increased set aside to repay loans, the ratio of financing costs to the revenue budget remains affordable as shown in the tables below.

### Ratio of financing costs to net revenue stream

|           | 2023/24<br>Actual | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate | 2028/29<br>Estimate |
|-----------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Ratio (%) | 1.95%             | 1.71%               | 1.63%               | 2.12%               | 2.60%               | 2.99%               |

**Maximum ratio of financing costs to net revenue stream**

|           | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|-----------|---------|---------|---------|---------|---------|
| Ratio (%) | 2.50%   | 3.00%   | 3.00%   | 3.00%   | 3.00%   |

## Reserve Movements

The 2025/26 Budget does not contain any planned appropriations to or from reserves to balance the Revenue Account.

## Risks Identified in the MTFP

There are two main risks identified in the Medium-Term Financial Plan.

The first risk relates to pay awards above the budget assumption of 2%. The table below sets out the additional costs for each quarter of a per cent increase above the budget assumption for Grey and Green Book staff.

| Additional Cost of Pay Awards over 2% | £000 |
|---------------------------------------|------|
| 2.25%                                 | 73   |
| 2.50%                                 | 146  |
| 2.75%                                 | 219  |
| 3.00%                                 | 292  |
| 3.25%                                 | 365  |
| 3.50%                                 | 438  |

The second risk is related to increases in employers' national insurance contributions may lead to suppliers forcing up costs for the Authority. An increase of 1% in contracts would amount to an additional pressure of £58,000.



## Summary of Changes to Base Budget

The tables below summarise the changes to base budget over the four-year period of the MTFP.

| Summary of Base Budget Changes               | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|
| Efficiency Plan Savings                      | -517            | -258            | -260            | -44             |
| Cost Pressures                               | 2,898           | 1,304           | 1,338           | 1,287           |
| Revenue Financing Costs of Capital Programme | -380            | 299             | 414             | 300             |
| <b>Total</b>                                 | <b>2,001</b>    | <b>1,345</b>    | <b>1,492</b>    | <b>1,543</b>    |

| Year-on-Year Base Budget Movements                  | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|
| Funding (Council Tax, Business Rates & Govt. Grant) | 47,965          | 49,310          | 50,802          | 52,345          |
|   |                 |                 |                 |                 |
| Prior-Year Net Expenditure Budget                   | 45,964          | 47,965          | 49,310          | 50,802          |
| Changes to Base Budget                              | 2,001           | 1,345           | 1,492           | 1,543           |
| <b>Net Revenue Budget</b>                           | <b>47,965</b>   | <b>49,310</b>   | <b>50,802</b>   | <b>52,345</b>   |

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