WEST OXFORDSHIRE DISTRICT COUNCIL	WEST OXFORDSHIRE DISTRICT COUNCIL
Name and date of Committee	**EXECUTIVE - 17 DECEMBER 2025**
Subject	**DRAFT BUDGET 2026/27**
Wards affected	All
Accountable member	Cllr Alaric Smith Executive Member for Finance Email: alaric.smith@westoxon.gov.uk
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Summary/Purpose	This report provides an update on the developing budget for 2026/27.
Annexes	Annex A – Draft Medium Term Financial Strategy (MTFS) Annex B – Draft Capital Programme
Recommendation(s)	That the Executive resolves to: 1. Note the update on the developing budget for 2026/27.
Corporate priorities	• Working Together for West Oxfordshire
Key Decision	No
Exempt	No
Consultees/ Consultation	Meetings with Directors, Heads of Service, Business Managers and key stakeholders

1. BACKGROUND

1.1 The Council will approve the budget for 2026/27 on 25th February 2026. This first draft of the revenue budget for 2026/27 has been compiled in advance of the announcement of the government funding settlement in December and therefore is subject to change.

1.2 This report provides details of the assumptions made for both the revenue budget and the Medium-Term Financial Strategy (MTFS) including the current drivers of growth.

2. MAIN POINTS

2.1 The focussed work has been done on the revenue part of the budget i.e. the cost of providing services, with the funding element based on provisional modelling subsequent to the results of the consultation on the Government's Fairer Funding review.

2.2 Ministry of Housing, Communities and Local Government (MHCLG) have confirmed that for most Councils there will be a 0% minimum funding floor to guarantee that funding does not fall in cash terms over the Spending Review period. However, West Oxfordshire is one of the circa 40 Councils who will not receive this guarantee and instead will be subject to a cash cut of 5% in year one i.e. 2026/27 and then a cash flat allocation in years two and three.

2.3 Financial modelling undertaken by Pixel, who provide support and advisory services to local government focussing on funding analysis, indicates a £943,000 loss of income over the three-year period from 2026/27 to 2028/29. This is a better outcome than we have been forecasting, but it is not confirmed and it must be stressed that due to the complexity of the new funding formula, transitional arrangements, the business rates reset and a national business rate revaluation all coming into force on 1st April 2026, the funding estimated in the MTFS should be viewed as indicative only at this stage.

2.4 We have known for years that the Business Rates reset and Fairer Funding Review were coming and over the last four years have been moving our additional retained Business Rates income (growth over baseline), the surplus remitted from the Business Rates pool and any General Fund surplus into earmarked reserves to fund any gap in the revenue budget over the life of the MTFS.

2.5 The MTFS will be updated when the local government funding settlement is published in the week commencing 15th December.

2.6 The MTFS has been prepared without incorporating any potential impacts from Local Government Reorganisation (LGR). At this stage, it is not possible to provide credible financial projections until the Government has reviewed the proposals and confirmed which will be implemented. Consequently, the MTFS assumes that the Council will continue to operate as usual and meet its financial obligations for the foreseeable future, irrespective of any future LGR decisions.

2.7 This initial draft of the budget indicates a requirement for a £21,447 contribution from the General Fund to achieve a balanced position prior to considering any growth proposals. However, several significant figures are not yet available for inclusion, such as Council Tax income, retained Business Rates, and government funding allocations.

2.8 While the reserves position for the Council is currently relatively healthy, there remains a financial gap from the estimated impact of changes to the Local Government Finance Settlement (LGFS) and the end of the current leisure contract in 2027 with a £1.4m reduction in income. Added to the as yet unknown cost of LGR, our general fund reserve will probably be exhausted over the life of this MTFS.

2.9 The use of reserves to manage short term fluctuations in the Council's financial position is necessary but cannot be sustained over the longer term – reserves can only be spent once.

2.10 The financing of the Capital Programme will look to use internal borrowing, grants and capital receipts as far as the Council is able in order to delay, for as long as possible, the requirement to take on external borrowing. Borrowing is not inherently bad and is a responsible way to finance capital projects, as long as the revenue budget can afford to service the debt. Public Works Loan Board (PWLB) rates are currently at a higher rate than the Council would want to take out borrowing. In another year, as the Bank of England base rate falls, PWLB borrowing should be at a more palatable level.

3. 2026/27 BUDGET ASSUMPTIONS

3.1 The 2026/27 budget setting process has been informed by the key drivers of the financial performance in the current year, discussions with budget holders and takes into account the requirement for the Council to produce a balanced budget and to evidence financial sustainability over the life of the MTFS.

3.2 The table below shows the key changes to the budget from a £91,280 contribution to General Fund Reserves in 2025/26 to a balanced budget in 2026/27 with an estimated contribution from General Fund of £21,447 excluding growth and a contribution from General Fund of a minimum of £372,184 when all growth requests are taken into account with the change in the growth spend being included in the second draft of the budget presented to the Executive in January 2026.

3.3 In January, a schedule of Fees & Charges for 2026/27 will be taken to the Executive for approval. As a minimum we will ensure that fees fully recover the cost of providing charged for services.

2024/25 budget surplus	(91,280)
Budget Movements	**£**
<u>Changes in expenditure</u>	
Reversal of one off items from 25/26	(335,900)
Disposal of Between Towns Road	(157,826)
Publica Contract - New Cost Model	(1,401,035)
Retained Staff	1,326,496
Take out secondary Pension contribution	(635,039)
Provisional Ubico contract inflation	319,784
New Temporary Accommodation	(28,212)
Business Rates and Council Tax on Council Assets	76,462
Business Manager Review	224,385
Outsourcing of Markets	(27,000)
Private Sector Housing condition survey	60,000
	(577,885)
<u>Changes in income</u>	
Investment Property income	(207,128)
Development Management Income	(190,000)
Trade Waste income	(250,000)
End of Rural Crime project and funding	33,100
	(614,028)
<u>Changes in funding</u>	
Provisional Business Rates Reset	4,324,384
Provisional Funding Settlement	(3,554,710)
Minimum Revenue Provision (MRP)	192,960
Movements to/from earmarked reserves	1,009,853
Extended Producer Responsibility Grant increase	(652,216)
Council Tax from taxbase growth	(53,554)
Interest on long term borrowing	37,924
	1,304,641
2026/27 DRAFT BUDGET	**21,447**

Growth Requests	**£**
Permanent	
Building Maintenance Officer	43,460
Sovereign Posts	155,546
Nature Recovery Officer FTC to Permanent	39,756
Temporary Emergency Accommodation Lead	45,503
Town Centre footfall system	21,000
Shared Senior Officer - Pollution Services	16,565
Shared Tenancy Relations Officer	13,998
Shared Senior Officer - Private Water Supplies	14,909
	350,737
2026/27 DRAFT BUDGET inc Growth	**372,184**

3.4 The key changes to the budget from 2025/26 to 2026/27 are as follows:

Changes To Expenditure

- The reversal of one-off growth items from 2025/26 includes the £300,000 budget for the estimated one-off costs for Phase 2 of the Publica Review and the estimate of costs for the leisure contract options appraisal approved as a one-year growth item in 2025/26. The actual one-off costs for the Publica Review were £174,554.

<u>Publica Review Costs</u>

Costs £	**Phase 1 £**	**Phase 2 £**	**Total £**
One Off	218,281	174,554	392,835
Enduring	213,147	111,351	324,498
Total	431,428	285,905	717,333

- Between Towns Road – part of our Investment Property portfolio, this office property in Oxford has been vacant since November 2023 when Oxfordshire County Council moved out. Various options for its continued use were assessed with the optimum outcome being a recommendation to sell on the open market. Council approved this recommendation in the summer of 2025 with the sale completion expected in January 2026. This sale provides a revenue budget saving of £157,826 which reflects the Business Rates liability and the cost of securing the building. In addition, the sale provides the Council with a capital receipt which will be used to help fund the capital programme, thereby reducing the Council's need to borrow externally.

- The Publica contract – this saving has two elements, firstly the reduction in contract sum due to the TUPE of staff back into the Council on 1st July 2025 (£624,478) and the new cost model, the principle of which was agreed between all partners as part of the phase 2 Publica Review (£776,557). At the time of writing partners are in the process of agreeing the revised cost model.

- Retained staff – this figure needs to be viewed together with the Publica saving as it represents the employment costs of staff TUPEed back to the Council on 1st July 2025.

- Secondary Pension - historically, the Council has paid both a primary and secondary pension contribution. The primary contribution is the amount paid monthly through payroll and the secondary contribution is an additional cash sum paid to make sure that the Council can meet the future obligations of the pension scheme from employing staff in the past.

- The secondary contribution was introduced in the aftermath of the 2008 financial crash which resulted in near zero bond yields and caused a funding deficit in the pension scheme. Now that the scheme returns have pushed the scheme into a notional asset rather than liability (before the inclusion of the Asset Ceiling), the secondary contribution (£746,000) has been withdrawn and the primary contribution raised from 17.6% to 20% (£110,961). The net saving is therefore £635,039.

- Ubico contract - discussions are underway with Ubico to agree a contract sum for 2026/27. It takes a protracted amount of time each year due to the complicated nature of the contract deliverables. The initial growth request from Ubico is £319,784, driven predominantly by an increase in vehicle repair costs, wages inflation, and vehicle hire. A final Ubico contract sum will be included in the second draft of the budget, presented to Executive in January 2026.

- Emergency Accommodation - the Council committed to the purchase of an additional 30 emergency accommodation beds in this financial year to add to our existing 22 hostel spaces. So far, the purchase of 1 property has been completed with a further 5 properties on track to complete in January, in total these 6 properties will provide 21 beds for single households. A purchase of 1 further property is likely to complete before the end of the financial year, providing an additional 8 beds of family accommodation for 4 households.

- A programme of reconfiguration and refurbishment for all 6 properties has begun with an estimated handover of the first property early in 2026. The provision of an additional 29 beds is estimated to reduce the net cost to the Council for emergency accommodation by £350,000 a year.

- Business Rates and Council Tax - the Council has liability for Business Rates on its operational buildings and Council Tax for some temporary accommodation. The increase in these costs for 2026/27 is estimated at £71,962 for Business Rates and £4,500 for Council Tax. It should be noted however that there will be a national Business Rates reset and revaluation for 1st April 2026 and it is possible that our Business Rates liability will increase.

- Business Manager review – this summarises a large volume of small adjustments across all the Council service areas which are not significant on their own. Included in this figure are amounts for publishing Planning Applications in local newspapers, licences for the tablets used by Building Control whilst they are onsite, inflationary increases for external contractors working on behalf of the Home Improvement Service, electricity costs, membership of the Oxfordshire Resources and Waste Partnership, professional subscriptions, the annual contribution to Better Homes Better Health, printing costs, etc.

- Markets - the management of the markets in Witney and Chipping Norton was outsourced in August 2025 to a commercial operator for an initial period of 2 years. The saving included in the budget relates to the costs associated with Ubico collecting the waste as this activity is no longer required.

- Housing Condition Survey - the Council has a statutory responsibility to undertake periodic housing condition surveys across the District. This review is due to take place in 2026 with an associated one-off budget of £60,000 that will be reversed in 2027/28.

Changes To Income

- Investment Property – this income fluctuates year on year as tenancies end, new tenancies begin, properties come into charge from an initial rent-free period and rent reviews come into effect. In 2026/27 the total amount of income from Investment Property is budgeted to be £3,104,376.

- Marriotts Walk – this is not classified as an Investment Property but does generate income. The managing agents will provide an updated cashflow forecast for 2026/27 in the next few weeks, with any change in income forecast being included in the second draft of the budget presented to Executive in January 2026.

- Development Management - income from Planning Applications has been particularly volatile over the last 2 years. In the current financial year, the Council has received some major applications which has resulted in a forecast year end position of £321,000 above target. Budget discussions with the Head of Planning and the Development Manager have resulted in an agreed increase in fee income for 2026/27 of £230,000 partially offset by additional expenditure of £40,000 for temporary staff needed for specialist advice as the expertise is not available in house and is not needed in a full-time capacity.

- Trade Waste - the budget for Trade Waste income has been increased by £250,000 in line with current year forecasts reported at the end of Q2. The exceptional performance of the service can be attributed to very active customer management and efficiencies in invoicing and income collection by the Publica Trade Waste team.

Changes To Funding

- Retained Business Rates - it has long been reported to Members that the Business Rates system was going to be reset by the Government as part of the Fairer Funding Review, with the aim of ensuring that local government funding reflects current assessments of need and resources, rather than historic allocations. This is because the system has not been fully reset since its introduction in 2013, meaning disparities have grown over time. By updating Baseline Funding Levels (BFLs) and Business Rates Baselines (BRBs), the government can redistribute resources more fairly across councils based on relative need.

- The figures included in the revenue budget and MTFS should be viewed as indicative only at this stage. They are based on the financial modelling undertaken by Pixel but are by no means certain. The government will announce the final funding settlement details the week commencing 15 December 2025.

- The budget will be updated with any impact from this announcement including any transitional arrangements which are designed to cushion the impact of the funding reforms.

- Minimum Revenue Provision (MRP) is a statutory requirement to recognise the use of our fixed assets over time requiring a charge to revenue over the useful life of that asset i.e. vehicles over 7 years and property over a maximum of 50 years. The movement in MRP year to year is due to the level of expenditure estimated in the Capital Programme and the inclusion of finance leases in the balance sheet for the first time in 2024/25 subsequent to the adoption of the Accounting Standard IFRS16.

- Earmarked reserve movements – this is calculated every year and is the sum of movements both in and out of reserves. Movements out are matched to expenditure on posts and projects that have been agreed by the Executive to further Council Priorities. Examples of earmarked reserves funding expenditure are homelessness prevention and support, project management and climate change.

- The Council has been allocated significant funding from the Extended Producer Responsibility Grant, amounting to £2,852,839 in 2025/26 and £2,990,216 in 2026/27. There will be a timing difference between the receipt of this grant and expenditure against it, therefore it is budgeted to be moved into Earmarked Reserves and may be used to buy new recycling vehicles and to fund elements of the Waste and Environmental Services project (WESP).

- Taxbase – the taxbase for 2026/27 will be presented in the January 2026 version of the draft budget. The taxbase as reported to the Government through the CTB1 return in October 2025 showed that the taxbase at that time was 413.93 Band D equivalents higher than the estimate made in January 2025. This equates to growth of £53,554 before including any growth in the taxbase to the end of March 2027. It is recommended that Council Tax increases by the maximum of £5 to bring the district precept to £134.38 per Band D equivalent for 2026/27.

- Interest for external borrowing has been included in the Capital Programme on the assumption that the Council may have to fund £1.7m of waste vehicles mid-way through the 2026/27 financial year.

3.5 Inflationary Pressures

- Pay award – over the last few years, the approval of the national pay award has been agreed later in the year and after the Council budget is approved. The pay award for 2025/26 was approved in July 2025 at 3.2%, in line with the base budget assumption of 3% pay inflation for both Publica and retained employees.

- Initial discussions on the 2026/27 National Joint Council (NJC) pay award are taking place in December and January with a pay offer by the LGA expected to be made to the Unions before the end of the current financial year. It is hoped that agreement will be reached earlier than in previous years, but it will be after the budget is considered by Full Council in February 2026. In the absence of any better information, a pay award of 3% has been included in the 2026/27 budget.

- Contract inflation – this is applied to individual contracts i.e. Ubico, Publica, Danfo (Public Conveniences) and Jade Security (Cash collection) based on their specific contract terms or agreed forecast expenditure, not as a generic percentage.

- General inflation – the rate of Consumer Price Index (CPI) inflation is reported to be at 3.6% in October, down from 3.8% in September. Inflation impacts the cost of supplies and services i.e. building maintenance, external legal fees and fuel which tend to be higher than the CPI level. The MTFS approved in February 2025 assumed a level of inflation of 2.5% for 2026/27 something which looks unlikely for at least the first half of the year.

- The Bank of England base rate fell to 4% in August with a further 0.25% reduction this financial year predicted by our Treasury Advisors. This is consistent with the advice we have received over the past 12 months but there remains some uncertainty given that the rate of CPI inflation is sitting at 3.6% as of the end of October. Any rate cut will reduce the return we receive on our investments but will make any external borrowing the Council enters into cheaper.

3.6 Items to be Reported in January

Due to the timing of this first draft of the budget, there are some items that cannot be included here and instead will be reported in January 2026. These items include

- Council Tax Base – the district has seen sustained growth in the Council Tax Base over the last decade. Early indications are that there will be an increase of around 1.5% for 2026/27 which would equate to an additional £288,000 of income, over and above the £53,544 already included in the Budget Movements table above.

- Capital Programme – revision of the Capital Programme is underway in consultation with Business Managers and Senior Management. The level of capital expenditure must be balanced against the availability of cash reserves and the cost of external borrowing.

- Minimum Revenue Provision (MRP) – there is a statutory requirement for the Council to recognise the use of their fixed assets over time that will charge a cost to revenue over the useful life of that asset i.e. vehicles over 7 years and property over a maximum of 50 years. The final movement in MRP year to year is directly linked to the final Capital Programme.

- External Borrowing – the level of external borrowing is dictated by the estimated level of expenditure in the Capital Programme offset against any capital receipts, grants or internal borrowing used to fund capital expenditure.

- Retained Business Rates – the estimate of Retained Business Rates is submitted to MHCLG every year on 31st January in the form of NNDR 1. Permission to submit the National Non-Domestic Rates (NNDR) 1 form will be included in the January budget papers. At this stage it is not possible to estimate what the Business Rates income for 2026/27 is likely to be.

- Government Funding – an indicative figure for the movement in government funding has been included in the MTFS in advance of the announcement of the Local Government Funding Settlement in December, based on the information provided through the Fairer Funding Review consultation process during 2025 and Pixel modelling.

3.7 Initial Growth Requests

- Building Maintenance Officer – with the acquisition of 8 new properties for Temporary Accommodation, the Assets team will need additional resource to take on day to day repairs and maintenance that would otherwise have to be contracted out at a much higher cost than employing someone directly.

- Sovereign Posts - discussions are currently underway in relation to making a small number of posts sovereign in addition to the posts transferred back to the Council on 1st July 2025. Further information about these posts will be included in the second draft of the budget in January 2026. This will add additional capacity to help support the Local Plan, deliver infrastructure, and respond to LGR.

- Nature Recovery Officer - The Council's ability to deliver its Nature Recovery Plan and meet legal obligations relies on the specialist Nature Recovery Officer role. Making this post permanent would ensure continuity for key projects, partnerships, and biodiversity duties while strengthening the Ecology Team's capacity amid growing environmental demands. Without a permanent officer, the Council risks losing expertise, delaying progress, and missing funding opportunities—making this a cost-effective investment in long-term ecological and climate commitments

- Temporary Emergency Accommodation Lead - the Council currently operates The Old Courthouse in Witney and Horsefair in Chipping Norton as temporary emergency accommodation for 22 homeless single people. In a few months, the Council will be operating 10 properties housing 43 homeless singles and 4 households with children. A Temporary Emergency Accommodation lead will be required to join the existing team to properly manage these additional properties.

- Town Centre Footfall system - we are actively developing strategies across the district to attract more visitors, enhance the visitor experience, and deliver a sustainable boost to the local economy. Investment in an enhanced town centre data system will provide data that will underpin strategic planning, event evaluation, investment justification, and policy development, helping to deliver more responsive and evidence-based town centre management.

- Shared Senior Officer Pollution Management and Shared Senior Officer Private Water Supplies – both posts are requested to stop the reliance on external contractors to fill resource gaps, both posts would be funded equally by WODC, Cotswold and Forest of Dean.

- Shared Tenancy Relations Officer – this position is recommended as a result of the Renters Rights Act which has just received royal assent. The Act will impose new statutory duties on local authorities and introduce new protections for tenants. This will increase the demand on the Private Sector Housing team in Publica and will require a new shared specialist officer to conduct an enforcement and prevention role as a statutory duty for local authorities. The role will also work with the Housing Team to help prevent homelessness as part of their enforcement role. The Government have confirmed an allocation of £32,353 New Burdens funding to deliver this new statutory requirement.

3.8 Budget Risks

- Interest Rates – interest rates are now slowly starting to come down which for the Council is a double-edged sword. On the one hand, it will make any external borrowing that the Council enters into more affordable, but falling interest rates adversely impact the returns we make from our cash balances.

- Over the last three years and the year to date, Treasury Management short term investing has produced income returns far higher than budget due to prevailing global economic conditions and the high rate of return from the Money Market Funds and Debt Management Office (DMO). As interest rates fall back, so do these income returns.

- Level of Reserves – General Fund balances are currently healthy when compared to cost of services, however, the MTFS shows that unless we are able to plug the funding gap identified from 2027/28 onwards, General Fund reserves will be almost exhausted by 2030. If LGR were to be delayed for any reason, the Council would need to implement a significant savings programme in order to continue to produce a balanced budget past the life of the current MTFS.

4. FAIRER FUNDING REVIEW

4.1 The Government's proposals for the reform to local government funding went out for consultation earlier this year. Following on from this consultation, initial proposals were announced by MHCLG in July and final proposals were announced in November.

4.2 The Government is proposing service-specific formulas (e.g. adult social care, children's services, highways) and a general "Foundation Formula" for other services.

4.3 There will be a phased approach to the formula element of the change i.e. in year one our settlement will be based on 2/3 the old formula and 1/3 the new formula. In year two it will be 1/3 the old formula and 2/3 the new formula etc.

4.4 There will be no phasing for the Business Rates reset which will be in effect for 1st April 2026 and it has been confirmed that New Homes Bonus will not be payable after 2025/26, but instead this funding will be redirected into needs-based formula.

4.5 The reset of the Business Rates system takes the Council back to a new Baseline and will effectively take out the growth over baseline achieved over the last decade that has made it beneficial to be a member of the Business Rates Pool. The Pool is therefore likely to close at the end of the 2025/26 financial year.

4.6 For most Councils there will be a 0% minimum funding floor to guarantee that funding does not fall in cash terms over the Spending Review period. However, West Oxfordshire is one of the circa 40 Councils who will not receive this guarantee and instead will be subject to a cut of 5% to Core Spending Power in year one i.e. 2026/27 and a cash flat settlement for the other two years. Core Spending Power is the sum of Government Grants, Council Tax income and Retained Business Rates.

4.7 With the return to multi-year settlements the Council can plan budgets and the MTFS with a lot more confidence as much of the volatility is taken out of the process. Having known figures enables the Council to better manage reserves and mitigate financial shocks.

5. MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

5.1 The MTFS assumes a general inflationary increase of between 2% and 2.5% will apply to the cost of services from 2027/28 onwards, excluding contracts where the actual inflationary increase is known i.e. Ubico contract, salary inflation, Publica contract and some software licence agreements.

5.2 Salary inflation over the last 3 years has been higher than we have historically estimated. For 2026/27 there is an assumed 3% increase, but this is expected to fall back over the life of the MTFS.

5.3 Over the last few years, the Council has deliberately built-up earmarked reserves by moving our additional retained Business Rates income (growth over baseline), the surplus remitted from the Business Rates pool and any General Fund surplus into Earmarked Reserves to fund any gap in the revenue budget over the life of the MTFS. This policy should ensure the viability of our provision of front-line services until the end of the MTFS period in 2030/31. This is important, not just for West Oxfordshire District Council and our residents, but also for the new Unitary Authority that will take over from us.

5.4 For a number of years, the Council has paid both a primary and secondary pension contribution. The primary contribution is the amount paid monthly through payroll and the secondary contribution is an additional cash sum paid to make sure that the Council can meet the future obligations of the pension scheme from employing staff in the past.

5.5 The Actuaries undertake an exercise to value the pension scheme every three years to look at how much money is in the pension fund (assets) and how much is needed to pay all current and future pensions (liabilities).

5.6 They use assumptions about life expectancy, investment returns, inflation, pay growth and compare the assets against the liabilities to assess if the scheme is fully funded i.e. has enough money to fund its obligations. Based on the results, the actuaries recommend how much the Council needs to pay into the scheme over the next three years to keep it sustainable.

5.7 The next triennial period starts on 1st April 2026 and the Actuaries have advised that the Council can stop paying a secondary pension contribution and raise the primary contribution from 17.6% to 20%. This has resulted in an MTFS saving of £635,039.

5.8 Treasury Management activities have provided the Council with significant investment returns over the last three years through the placement of cash reserves into short term investments i.e. the Debt Management Officer (DMO) and the Money Market Funds. This activity provided £625,889 of interest income over and above the budget of £1,156,230 in 2024/25 and is forecast to deliver a significant amount of additional income, above budget, (set at the same level as the previous year), in 2025/26. As interest rates fall, we will no longer benefit from this additional income and so the base budget for investment income in 2026/27 will be kept as is.

5.9 Council Tax is assumed to increase by £5 for a Band D equivalent, the higher of the increases allowed without triggering a referendum – being either an increase of 2.99% on the Band D in 2025/26 of £129.38 or £5.

5.10 The Asset Management Strategy (AMS) was approved by Executive in November 2024. The Strategy and the detailed option plans for individual properties provide clear guidance for future decision making and investment in the Council's land and property assets. A rolling 5 year repairs and maintenance programme, informed by the Asset Management Strategy feeds into the Capital Programme to identify both expenditure and financing requirements.

5.11 The MTFS is based on the most reasonable forecasts of income and expenditure that can be inferred at this point in time but are subject to change as we move through the budget setting process and more information and facts come to light.

6. FEES AND CHARGES

6.1 Fees and charges are set on three separate bases.

- Fees that are set centrally over which the Council has no control i.e. premises licences and penalty notices.

- Fees that are set on a cost recovery basis i.e. Building Control, taxi licences and Street Trading. The Council is required to make sure that fees are set at a level that does not generate a profit compared to the cost of providing the service.

- Fees that are discretionary where the Council has full control. These are the commercial services that operate where the Council is in competition with the private sector i.e. Pre Application (Planning) advice, trade waste and bulky waste.

6.2 Fee increases in 2026/27 for services provided on a cost recovery basis have been increased in line with the estimated pay award of 3% and any proven increase in direct expenditure.

6.3 Discretionary fees have been reviewed on a case-by-case basis in consultation with budget holders, taking into account the commercial viability of the service and opportunities to maintain or grow market share.

7. CAPITAL PROGRAMME

7.1 The review of the Capital Programme is ongoing with the final proposal being put forward in January 2026.

7.2 Historically the Council has funded the Capital Programme through internal borrowing (use of cash balances), capital receipts, grant or S106 funding. Given the scale of capital expenditure in 2026/27 & 2027/28 i.e. waste vehicle fleet replacement, Leisure Centre Improvement Programme, proactive maintenance of our property portfolio and the provision of affordable housing it is possible we will need to call on external borrowing to fund elements of the Capital Programme from 2026/27.

7.3 The financial impact of external borrowing is in the revenue account where the MTFS already shows a significant funding gap in future years. This impact includes the cost of borrowing i.e. interest and MRP – the charge we must make to represent the use of the asset over its life. For vehicles this would be borrowing with the associated costs for 7 years, for land and property it would be a maximum of 50 years.

7.4 The PWLB interest rates are still high but should fall gradually over the next 12 months in line with the expected trajectory of the Bank of England Base Rate. There are however other options for borrowing other than PWLB i.e. Local Authority to Local Authority lending. The Treasury Management Strategy will be updated with a framework for future external borrowing.

7.5 Additional capital receipts are achieved through the disposal of assets where the income can then only be used to fund capital expenditure, not to support the provision of services. The Asset Management Strategy helps to inform decision making on the disposal of the Council's assets where it is shown to be more advantageous to have a capital receipt to avoid external borrowing and MRP costs than to retain the asset for its capacity to generate revenue income.

7.6 The Council may wish to cash in an element of Pooled Funds in the future to finance capital expenditure if it proves to be more cost effective than to take on long term debt. However, interest generated from the Pooled Funds is instrumental in supporting front line Council services so any decision to release cash from long term investments should be carefully weighed against the impact on the MTFS in the longer term.

7.7 Further details about the way we fund the Capital Programme will be included in the revised Treasury Management, Capital and Investment Strategy papers, which will be considered by the Audit & Governance Committee at the 22 January 2026 meeting and included in the February 2026 budget papers.

7.8 An initial draft of the Capital Programme is in Annex B but as always, inclusion in the Capital Programme does not mean that the expenditure is authorised. Identifying the possible spend, and including it in the Capital Programme, ensures that potential borrowing requirements are identified. In most cases, a business case would still need to be prepared and brought forward for review.

8. LOCAL GOVERNMENT RE-ORGANISATION

8.1 As stated in the body of this report, the budget and MTFS have been produced without incorporating any potential impacts from LGR due to the impossibility of providing any credible financial projections, but LGR will have an impact on the delivery of Council services and our financial position up until when the new Unitary Authority is established on 1st April 2028.

8.2 Once the Government announces their decision for Oxfordshire, expected in Summer 2026, there will undoubtedly be the need for a substantial resource commitment to a transition programme. During this time, we cannot fail to maintain our level of service provision to the residents of West Oxfordshire or to meet our financial obligations.

9. BUDGET CONSULTATION

9.1 The Council's budget consultation, via the online engagement platform CitizenLab, went live on 10 November 2025 and will run to 19 December 2025.

9.2 The Council has used a wide range of communication channels to promote the consultation including media engagement, social media, website, stakeholders and newsletters.

9.3 Feedback from the consultation will be presented to the Executive in January 2026.

10. BUDGET REVIEW TIMETABLE

10.1 The next draft of the budget, including the LGFS will be taken to the Executive on 14 January 2026.

10.2 There is an All-Member Briefing on 8 January 2026.

10.3 The Overview and Scrutiny Committee will review the budget at a meeting on 4 February 2026.

10.4 A final budget will be presented to the Executive on 11 February 2026.

10.5 The Final Budget will be debated at Full Council on 25 February 2026.

11. CONCLUSIONS

11.1 There are continued uncertainties and cost pressures, as detailed in this report, which will have an impact on the 2026/27 budget and the MTFS.

11.2 This report contains the first draft of the 2026/27 budget. The LGFS expected in late December, the feedback from Executive meetings and the budget consultation process will provide inputs into the final budget.

11.3 The Council will need to set realistic budgets, balancing current need and future financial stability, to ensure that adequate reserves are maintained over the medium term.

12. FINANCIAL IMPLICATIONS

12.1 There are no financial implications arising from this paper as it outlines the approach and context of the 2026/27 budget setting process.

13. LEGAL IMPLICATIONS

13.1 Apart from the statutory duties and obligations set out in this report, with regards to budget setting process, there are no further implications.

14. RISK ASSESSMENT

14.1 None required as a result of the content of this report.

15. EQUALITIES IMPACT

15.1 No direct equalities impact with regards to the content of this report.

16. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

16.1 None.

17. BACKGROUND PAPERS

None

(END)