

 <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p>	<p>WEST OXFORDSHIRE DISTRICT COUNCIL</p>
Name and date of Committee	OVERVIEW AND SCRUTINY - 4 FEBRUARY 2026
Subject	UPDATE ON 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	<p>This report provides an update on the developing budget for 2026/27 following the provisional government funding settlement announcement on 17 December 2025</p> <p>To consider:</p> <ol style="list-style-type: none"> 1) The Draft Base Budget for 2026/27 2) The Draft Medium Term Financial Strategy (MTFS) 3) The Draft Capital Programme for 2026/27 to 2030/31 4) The Capital Strategy 2026/27 5) The Investment Strategy 2026/27 6) The Treasury Management Strategy 2026/27
Annexes	Annex A – Draft Medium Term Financial Strategy (MTFS) Annex B – Draft Capital Programme Annex C – Council Tax Base Annex D – Fees & Charges Schedule Annex E – Prior Year Comparison Annex F – Capital Strategy 2026/27 Annex G – Investment Strategy 2026/27 Annex H – Treasury Management Strategy 2026/27
Recommendation(s)	That the Executive resolves to recommend the following to Council for

	<p>approval:</p> <ol style="list-style-type: none"> 1) The General Fund Revenue Budget as Summarised in Annex E. 2) The Updated Medium Term Financial Strategy in Annex A. 3) The Capital Programme for 2026/27 to 2030/31 as set out in Annex B. 4) The Capital Strategy 2026/27 5) The Investment Strategy 2026/27 6) The Treasury Management Strategy 2026/27 <p>And the following for noting:</p> <ol style="list-style-type: none"> 1) Fees and charges for 2026/27, as detailed in Annex D. 2) The Parish Precepts and Tax Levels set out in Annex C.
Corporate priorities	<ul style="list-style-type: none"> • Working Together for West Oxfordshire
Key Decision	No
Exempt	No
Consultees/ Consultation	Meetings with Directors, Heads of Service, Business Managers and key stakeholders

I. BACKGROUND

- I.1 West Oxfordshire District Council (the Council) will approve the budget for 2026/27 on 25 February 2026. The first draft of the revenue budget for 2026/27 was presented to the Executive on 17 December 2025, and this second draft on 14th January 2026.
- I.2 This second draft of the revenue budget for 2026/27 has been updated with the provisional government funding settlement announced on 17 December 2025, proposed fees and charges and the final Council Tax Base.
- I.3 The strategy papers for Capital, Investment and Treasury Management were reviewed by the Audit and Governance Committee on 22 January 2026 and are included as annexes to this report.
- I.4 A final budget, updated for the final funding settlement, will be presented to the Executive and Full Council in February 2026.
- I.5 This report provides details of the funding settlement and the assumptions made for both the revenue budget and the Medium-Term Financial Strategy (MTFS) including the current drivers of growth.
- I.6 Although the provisional settlement is now known, there are still items that are yet to be finalised, such as some details of the Capital Programme and details of the final settlement. Therefore, this draft of the budget is still subject to change, but those changes are not expected to be material.

2. MAIN POINTS

- 2.1 This second draft of the 2026/27 budget is a contribution to general fund reserves of £650,884 before growth requests and a balanced budget after growth requests. This is a significantly more optimistic picture than the one painted by the government's results of the funding formula review published in June 2025. The funding formula is complex but for the Council the change in estimated funding in the MTFS presented to Executive in December and the one presented in this paper is the result of just one element – the Income Protection Floor (IPF). A more detailed explanation is included in paragraphs 2.4 to 2.7.
- 2.2 The detailed changes to the budget are set out in sections 3 and 4 of this report, and a summary is provided in the table below:

Draft Budget Version	Use of/(Contribution) to Reserves
25/26 Base Budget	(£91,280)
26/27 1 st Draft - Exec 17.12.25 (before growth)	£21,448
26/27 2 nd Draft - Exec 14.01.26 (before growth)	(£650,884)
26/27 2 nd Draft - Exec 14.01.26 (inc growth)	£ Nil

2.3 In June, the Ministry of Housing, Communities and Local Government (MHCLG) confirmed that for most councils there would be a 0% minimum funding floor to guarantee that funding did not fall in cash terms over the Spending Review period. However, the Council was one of the circa 40 councils who were informed that they would not receive this guarantee and instead would 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.

2.4 Financial modelling undertaken by Pixel, who provide support and advisory services to local government focussing on funding analysis, indicated a £943,000 loss of income over the three-year period from 2026/27 to 2028/29 following the outcome of the MHCLG consultation.

2.5 The provisional Local Government Finance Settlement was announced on 17 December 2025 and there are material changes to the MTFS assumptions made in June 2025. In hindsight, the assumptions made may have been too prudent, but they were based on the information available at the time. The level of Retained Business Rates and Revenue Support Grant has not moved significantly between June and December, rather it is the addition of an IPF that has provided an additional £8,163,998 over the 3-year settlement period which represents 90% of the change.

2.6 The IPF compares a Council's 2025-26 income before reform with the income it would have received in 2025-26 had the new Fairer Funding Formula been applied. As part of the transitional arrangements, it guarantees that eligible councils will retain at least 95% of their pre-reform income when moving to the new system. It ensures that councils facing the greatest potential reductions from the funding reform are protected from a sudden drop in resources, giving them time to adjust whilst phasing in the new system.

2.7 The tables below highlight the changes between the funding position estimated in June and the position confirmed in the provisional financial settlement in December. As part of its methodology, the government includes income from the Business Rates Pool (the Pool) surplus within core spending power. However, the Council has always chosen not to budget for this income because it is unpredictable, and we do not base ongoing revenue requirements on funding that cannot be guaranteed. This has proven to be very advantageous to the Council within the Fairer Funding Methodology.

MTFS Line item	2026/27	2027/28	2028/29	Total
December MTFS	£	£	£	£
Revenue Support Grant	6,400,150	5,049,739	3,721,757	15,171,646
Business Rates Share	2,360,000	2,407,200	2,455,344	7,222,544
Total	8,760,150	7,456,939	6,177,101	22,394,190

MTFS Line item	2026/27	2027/28	2028/29	Total
Finance Settlement	£	£	£	£
Revenue Support Grant	7,522,982	5,218,704	2,849,655	15,591,342
Business Rates Share	2,490,393	2,547,518	2,598,911	7,636,822
Income Protection Floor	776,198	2,721,460	4,666,340	8,163,998
Total	10,789,573	10,487,682	10,114,906	31,392,161

2.8 The surplus from the Pool has always been treated as “bonus” income over and above our budgeted Retained Business Rates amounting to £1,050,924 in 2024/25, £570,894 in 2023/24 and £928,265 in 2022/23. It is this income, along with any General Fund surplus that has been moved to earmarked reserves in recent years to fund future gaps in the revenue budget over the life of the MTFS.

2.9 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.

2.10 While the reserves position for the Council is currently healthy, there remains significant unknowns, with the key one being the cost of LGR from the announcement of the successful bid in the summer of 2026 to vesting day on 1 April 2028. An estimated cost has been included in the MTFS for the likely costs to run a Programme Office in 2026/27, with sufficient employees and specialist consultants to facilitate the implementation of the new Unitary Authority. These costs are funded through earmarked reserves. The transformation costs of LGR i.e. any redundancies and the associated pension strain cannot be estimated at this time, but they are likely to be material amounts which will impact the MTFS in years 2 and 3.

2.11 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.

2.12 The financing of the Capital Programme will look to use internal borrowing, grants and capital receipts as far as the Council is able 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, if 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 £372,184 when growth requests are considered. This was the budget presented to the Executive on 17 December 2025.

2025/26 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	21,448

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
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	350,737
2026/27 DRAFT BUDGET inc Growth	372,184

3.3 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 Phase 2 Publica Review were £174,554.

Publica Review Costs

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 employees back into the Council on 1 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 employees – this figure needs to be viewed together with the Publica saving as it represents the employment costs of employees TUPEed back to the Council on 1 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 final budget, presented to Executive in February 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 6 properties on track to complete in January, in total these 7 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 7 properties, expected to complete by the end of January 2026, 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 1 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 mid-January with any changes being included in the final budget presented to Executive in February 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 employees 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.
- 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 after 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).
- 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.

3.4 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 Local Government Association 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 3.2% in November, down from 3.6% in October. 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 3.75% in December, consistent with the advice we received from our Treasury Advisors. There remains some uncertainty about the

timing of the next rate cut given that the rate of CPI inflation is sitting at 3.2% as at the end of November. Any rate cut will reduce the return we receive on our investments but will make any external borrowing the Council enters into cheaper.

4. MOVEMENTS IN VERSION OF BUDGET TAKEN TO EXECUTIVE IN DECEMBER

The table below shows the key movement in the budget presented to the Executive in December taking it from a contribution from General Fund of £21,447 (before growth) to an estimated contribution to General Fund of £650,884 excluding growth and balanced budget including growth. This was the budget presented to the Executive on 14 January 2026.

Budget presented to the Executive in December 2025	21,448
Budget Movements since presentation to Executive	£
<u>Revenue Changes</u>	
Members Allowances	14,009
Waste & Environmental Services Programme	124,706
Closure of some Public Conveniences	(100,000)
Environmental Enforcement Legal Costs	28,000
Tree Work	39,500
Town Centre footfall data system - 3 year contract	21,000
LGR year one estimated cost	350,000
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	477,215
<u>Funding Changes</u>	
Council Tax - growth in taxbase 1.68%	(300,250)
Income Protection Floor	(776,198)
Revenue Support Grant	(1,122,832)
Retained Business Rates	(130,392)
Movement to Earmarked Reserves	1,180,125
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	(1,149,547)
2026/27 REVISED DRAFT BUDGET	(650,884)

Growth Requests	£
Permanent	
Sovereign Posts	155,546
Nature Recovery Officer FTC to Permanent	39,756
New Post - Shared Senior Officer, Pollution Services	16,565
New Post - Shared Senior Officer, Private Water Supplies	14,909
New Post - Shared Tenancy Relations Officer, Grant funded for 3 years	13,998
Healthy Communities Officer - Increased hours	16,971
Safer Communities Officer - Increased hours	10,299
Economic Development Assistant - FTC to permanent	33,679
Habitat improvements on council-owned land	23,100
Community and partnership initiatives	14,350
	339,173
Permanent Posts Funded Through New Initiatives for 12 months	
Community Funding Officer - Increase hours	19,140
Species recovery projects	41,000
Nature Recovery strategic projects and project development	34,000
Building Maintenance Officer	43,460
Temporary Housing Lead	45,403
Anti Violence Against Women Project	25,000
Environmental Crime Officer and regrade to Level 2 Case & Fieldworker	48,433
	256,436
One Year	
Planning Services Transformation Lead	55,275
2026/27 DRAFT BUDGET inc Growth	0

Changes to Revenue since December

- Members Allowances are subject to an annual increase at the same percentage rates as the cost-of-living uplift in the national pay settlement for local government employees. This Scheme was approved for the period 1 April 2023 to 31 March 2027. Retained employee inflation has been included in the budget at 3%, but the

actual percentage will not be known until after the budget has been approved in February 2026.

- A paper reviewing the Public Conveniences provision was taken to Executive in September 2025. The aim was to provide a balance between the continued provision of good quality public toilet facilities, protect essential facilities into the future and to reduce the financial burden on the Council. Following subsequent work with Town and Parish Councils, and the Public Conveniences Task and Finish Group, a report will go forward to Executive in February 2026 recommending the closure of some facilities, where there are nearby alternatives, or transfer to Town and Parish Councils. The resulting savings relate to the cleaning contract to service fewer facilities.
- Legal costs will be incurred in 2026/27 to undertake environmental enforcement action.
- The Council is required to act as a “reasonable and prudent landowner” and prevent foreseeable harm (Occupiers’ Liability Acts 1957 & 1984), in effect, to ensure public safety. The Council’s Tree Officer conducts inspections to identify any risks related to trees on the Councils land that may cause harm to people, buildings or livestock i.e. disease, broken limbs, vandalism and age. Work required to mitigate identified risks is conducted by qualified tree surgeons. The current budget of £40,500 is no longer sufficient for the volume of work required, therefore growth of £39,500 has been added to the budget for 2026/27. This budget will be reviewed for the 2027/28 budget setting cycle.
- Town Centre footfall data system – this funding would enable the procurement of a real-time footfall analytics system for district centres i.e. Witney, Carterton and Chipping Norton. The system would provide anonymised data on visitor numbers, dwell time, repeat visits and consumer spending patterns. These insights would directly support town centre regeneration and tourism initiatives and inform our climate action and parking strategies. The data would also allow us to assess the impact of local events and interventions as they happen, helping us target future investment and develop evidence-based programmes.
- Tax Base – Taxbase growth for 2026/27 is 1.68% or 819.26 Band D equivalents. This includes 763.11 Band D equivalents charged the second home premium. 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.
- Funding Settlement – the movement in the estimated funding in the MTFS presented to the Executive in December and the current version amounts to £2,029,422. The

explanation for this change in funding assumptions can be found in paragraphs 2.4 - 2.7 of this report. The main driver is the Government's decision to include certain funding streams within Core Spending Power for the first time—specifically the Business Rates Pool surplus and grants that the Council has previously treated as service-specific, such as the Homelessness Prevention Grant.

- An additional transfer to Earmarked Reserves is proposed to meet the anticipated cost of LGR in 2026/27.

4.1 Items to be Reported in February

These items include:

- Capital Programme – The final draft of the Capital Programme will be reported to the Executive on 11 February 2026. 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 31 January through the NNDR 1 form. Permission is requested from Full Council for the Director of Finance to submit the National Non-Domestic Rates (NNDR) 1 form per statutory deadlines.

4.2 Growth Requests

- 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 1 July 2025. Further information about these posts will be included in the final draft of the budget in February 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
- 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 the Council, Cotswold and Forest of Dean District Councils.
- 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.
- Healthy Communities Officer - this role is currently 0.5FTE and provides project and employee management support within Community Wellbeing overseeing work on inequality, neighbourhood engagement, community forums and the voluntary sector. Due to increased demand within the service, the postholder has been engaged for an additional 11.5 hours per week on a temporary basis. The request is that these additional hours are made permanent as new externally funded projects are coming on stream, including the Oxfordshire Marmot Place Initiative which will keep demand in the service high. The core role is to co-lead the Oxfordshire County Council Public health funded Nature Recovery and Health Inequality project and manage the Community Builder roles.
- Safer Communities Officer – this role is currently 0.81FTE and oversees the Community Safety Partnership, is Prevent lead, is our interface with the Safer Oxfordshire Partnership and the Serious Violence work countywide. It coordinates preventative activity where capacity allows and links with the Oxfordshire Police and Crime Commissioner. Additional hours to bring this role to 1 FTE are being sought to enable the role to have the capacity to take on responsibility for CCTV related work.

- Economic Development Assistant – this role has been employed on a FTC basis since April 2024 with the contract due to end in April 2026. Approval to make this post permanent would provide capacity for the team to meet the additional demands for support, project management and operational delivery that has been increasing over the last 12 months.
- Habitat Improvements, Community & Partnership Initiatives, Nature & Species Recovery - the growth in the nature recovery budget will enable the delivery of the Council's Nature Recovery Plan, facilitate projects to implement the Oxfordshire Local Nature Recovery Strategy (OLNRS) and invest in targeted interventions that protect habitats, species and ecosystem resilience across the district. The aim is to place the Council at the forefront of nature recovery, ensuring the district meets its statutory duties while safeguarding irreplaceable species and habitats and enhancing natural capital across the district.
- Community Funding Officer – the role is currently 0.59FTE with the request being an increase to 1.00 FTE due to a significant increase in workload. From February 2026 the Council needs to start the process of recommissioning the 3-year service level agreements ready to commence in April 2027, to mobilise a new 3-year contract for a crowdfunder platform and to deliver two OCC commissioned pieces of work – the Community Insight Profile in Witney and a DCMS Local Youth Partnership Programme.
- 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.
- Temporary Housing Lead - the Council currently operates The Old Courthouse in Witney and Horsefair in Chipping Norton as temporary emergency accommodation for 22 homeless single people. By the end of this financial year, it is expected that the Council will be operating 10 properties housing 43 homeless singles and 4 households with children. A Temporary Housing Lead will be required to join the existing team to properly manage these additional properties.
- Anti Violence Against Women and Girls – this project is to commission a professional performance on the topic, perform it in numerous locations and provide training for the public in Bystander Awareness as a follow up. The focus is to tackle the issue of unwanted sexual attention by males towards females which has been raised as a priority by young people in the Youth Needs Assessment. The contribution from the Council represents circa 50% of the total required – only to be drawn down in the event of the remainder being available from external sources.

- A lack of resource has been identified to tackle environmental crime offences such as fly tipping, illegal waste disposal and abandoned vehicles. The Council is responsible for enforcing legislation effecting the visible environment, however the current resource level of 1 FTE is insufficient for the demands of the service.

4.3 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 with the cost of LGR as yet undetermined it would be prudent to assume that there will be some impact on General Fund reserves before 2028. If LGR were to be delayed for any reason, the Council may need to implement a savings programme in order to continue to produce a balanced budget past the life of the current MTFS.

5. FAIRER FUNDING REVIEW

- 5.1 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 a policy statement was announced in December.
- 5.2 The Government proposed service-specific formulas (e.g. adult social care, children's services, highways) and a general "Foundation Formula" for other services.
- 5.3 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.
- 5.4 There will be no phasing for the Business Rates reset which will be in effect for 1 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.
- 5.5 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.

- 5.6** Over the summer it was indicated that for most councils there would be a 0% minimum funding floor to guarantee that funding did not fall in cash terms over the Spending Review period. However, the Council was one of the circa 40 councils who were informed that they would not receive this guarantee and instead would 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.
- 5.7** The settlement announcement on 17 December 2025 provided the Council with a much more positive funding position than the one in June 2025, due to the methodology used by the government to calculate the “damping” provided through the IPF and the inclusion of the Business Rates Pool surplus in our level of resources. The final settlement is expected on 9 February 2026.
- 5.8** 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.

6. MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

- 6.1** 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.
- 6.2** 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.
- 6.3** 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 the Council and our residents, but also for the new Unitary Authority that will take over from us.
- 6.4** For several 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.
- 6.5** 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).

6.6 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.

6.7 The next triennial period starts on 1 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.

6.8 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. 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.

6.9 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.

6.10 The Asset Management Strategy (AMS) was approved by Executive in November 2024. The AMS 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 AMS feeds into the Capital Programme to identify both expenditure and financing requirements.

6.11 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.

7. FEES AND CHARGES

7.1 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.

- 7.2** 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.
- 7.3** Discretionary fees have been reviewed on a case-by-case basis in consultation with budget holders, considering the commercial viability of the service and opportunities to maintain or grow market share.

8. CAPITAL PROGRAMME

- 8.1** The final Capital Programme proposal will be put forward in February 2026.
- 8.2** 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.
- 8.3** 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.
- 8.4** 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.
- 8.5** 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 AMS 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.
- 8.6** 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.

- 8.7 Further details about the way we fund the Capital Programme are included in the revised Capital, Investment and Treasury Management Strategy papers, which were considered by the Audit & Governance Committee at the 22 January 2026 meeting and are included as annexes to this report.
- 8.8 An initial draft of the Capital Programme is in Annex B, and a final one will be presented to Exec and Council in February. 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.

9. LOCAL GOVERNMENT RE-ORGANISATION

- 9.1 As stated in the body of this report, the budget and MTFS have been produced without incorporating any potential impacts from LGR, other than an estimate of the Project Office costs for 2026/27, 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 1 April 2028.
- 9.2 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. It is recommended that an earmarked reserve of £1m is set up to fund LGR costs in the first instance. The funding requirement will be updated as a more detailed financial analysis can be done once a proposal is chosen.

10. BUDGET CONSULTATION

- 10.1 The Council's budget consultation, via the online engagement platform CitizenLab, went live on 10 November 2025 and ran to 19 December 2025.
- 10.2 The Council used a wide range of communication channels to promote the consultation including media engagement, social media, website, stakeholders and newsletters.
- 10.3 The number of responses received for the 2026/27 budget consultation was 150. This is significantly lower than the responses received in previous years (a total of 370 responses in 2025/26 and 377 for 2024/25).
- 10.4 This is thought to be due to "consultation saturation" bearing in mind the number of consultations carried out in recent months including LGR and Local Plan. It could also be due to resident's perception that district budgets are soon to be overtaken by unitary budgets with LGR on the horizon.
- 10.5 A summary of the Responses from the Annual Statutory Budget Consultation will be presented to Executive and Council in February.

11. BUDGET REVIEW TIMETABLE

- 11.1** A final budget will be presented to the Executive on 11 February 2026.
- 11.2** The Final Budget will be debated at Full Council on 25 February 2026.

12. CONCLUSIONS

- 12.1** This second draft of the 2026/27 budget is a surplus of £650,884 before growth requests and a balanced budget after growth requests.
- 12.2** 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.
- 12.3** 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.

13. FINANCIAL IMPLICATIONS

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

14. LEGAL IMPLICATIONS

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

15. RISK ASSESSMENT

- 15.1** None required as a result of the content of this report.

16. EQUALITIES IMPACT

- 16.1** No direct equalities impact with regards to the content of this report.

17. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 17.1** None.

18. BACKGROUND PAPERS

None

(END)