



WEST OXFORDSHIRE
DISTRICT COUNCIL

WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	EXECUTIVE – 10 SEPTEMBER 2025
Subject	FINANCIAL PERFORMANCE REPORT 2025/26 QUARTER ONE
Wards affected	All
Accountable member	Cllr Alaric Smith Executive Member for Finance Email: alaric.smith@westoxon.gov.uk
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Annexes	Annex A – Detailed Revenue Budget Comparison Annex B – Capital Spend against Budget
Purpose	To detail the Council's financial performance for Quarter One 2025-2026
Recommendation	That the Executive resolves to: I. Note the Council's Financial Performance for Quarter One 2025-2026
Corporate Priority	Working Together for West Oxfordshire
Key Decision	No
Exempt	No
Consultees	None

I. BACKGROUND

- 1.1. The purpose of this report is to provide an update on the financial performance of the council's activities for the first quarter of the 2025/26 financial year from 1 April 2025 to 30th June 2025.
- 1.2. The report considers the significant variances in revenue income and expenditure against the approved revenue budget set by Full Council on 26th February 2025 which anticipated a contribution of £91,280 to General Fund reserves.
- 1.3. The report also includes progress in delivering the approved Capital Programme and an updated MTFS in light of the Fairer Funding Review proposals. This is just an indication at this stage, the final proposals and impact will not be published by MHCLG until the end of October.
- 1.4. At this stage of the year a year-end forecast is not included. It will be part of subsequent quarterly budget monitoring reports as data becomes easier to extrapolate.

2. MAIN POINTS

Financial Performance Revenue Budget Monitoring - Summary

- 2.1. At quarter 1 (Q1) there is an overall underspend **£260,745** against the profiled budget for the period. The key factors driving this revenue position are additional income from Trade Waste, the Leisure Contract, vacant posts and a better than expected performance in respect of the materials recycling contract.
- 2.2. The performance of fee earning services has been mixed in Q1, with Garden waste income showing signs of pressure at £30,000 behind target, Development Management on budget and Building Control £13,000 above target.
- 2.3. There are no significant overspends to report for Q1, an indication that a prudent revenue budget was set for 2025/26. It is however, early in the financial year and this very positive revenue position is likely to change as the year progresses.
- 2.4. The table below sets out the summary revenue monitoring position for the 30th June 2025 against profiled budget by service area.

WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring

Revenue Budget Monitoring 2025/26 - Quarter 1, 1st April to 30th June 2025

Service Area	Quarter 1			
	Original Budget 2025/26	Current Budget	Actual Exp	Variance (under) / over spend
	£	£	£	£
Democratic and Committee Services	1,412,297	574,829	575,135	306
Environmental & Regulatory Services	784,557	177,559	162,891	(14,668)
Environmental Services	8,285,567	521,286	415,591	(105,695)
Finance, Human Resources & Procurement	1,062,851	536,828	534,236	(2,592)
ICT, Change & Customer Services	2,230,097	1,489,556	1,491,290	1,734
Land, Legal & Property	841,492	206,082	167,256	(38,825)
Leisure & Communities	555,410	222,130	188,161	(33,969)
Planning & Strategic Housing	1,383,153	266,976	200,359	(66,617)
Revenues & Housing Support	1,592,014	(372,661)	(365,313)	7,347
Investment Property and Retained Services	682,434	392,381	386,639	(5,741)
Total cost of services	18,829,872	4,014,965	3,756,245	(258,720)
Plus:				
Investment income receipts	(1,156,228)	(289,057)	(291,082)	(2,025)
Cost of services before financing:	17,673,644	3,725,908	3,465,163	(260,745)

Significant Variances

- 2.5. A full list of variances by cost centre is included in Annex A. The most significant variances, listed by Service Area (as set out in the table above), are as follows:

Environmental Services

Recycling

- 2.6. The recycling contract that commenced in September 2024 is performing better than expected from the original business case. Between September 2024 and March 2025 the contract saved the Council an average of £60,000 per month. Budget setting for 2025/26 reduced the base budget by £300,000 and in Q1 the contract is £25,000 underspent against this budget.

Green Waste

- 2.7. Historically, 95% of Green Waste licences are sold in the first quarter of the financial year. At the end of Q1 Green Waste has achieved income of £1.612m which is forecast to rise to £1.655m by year end or 96% of the budget. After costs, net income is £1.2m, which directly supports the provision of the Waste Service, the cost of which for 2025/26 is £8.6m.

Trade Waste

- 2.8. Trade Waste is invoiced in April & September with payment taken by Direct Debit. In Q1, which covers Q1 & Q2 (April to September), income is £164,000 above target. This is partially offset by expenditure of £27,000 on bins and boxes, but a realistic estimate for the year end position is £260,000 underspent. The budget for 2026/27 will be adjusted to take into account the positive performance of the Trade Waste service.

Land, Legal & Property

Legal

- 2.9. The Legal shared service operates over Cotswold, West Oxfordshire and the Forest of Dean. Due to there being two vacancies in the service during Q1, Legal Services is showing an underspend of £27,918. Recruitment for the vacant posts has been successful, with postholders starting in Q2.

Planning & Strategic Housing

Development Management Appeals

- 2.10. The appeals budget is £24,975 underspent at Q1 indicating the difficulty in forecasting this budget as it is dependent on the actions of third parties and therefore outside of the Council's control. In setting the budget for 2025/26 it was considered prudent to preserve the expenditure budget from the previous year. This assumption will be challenged in the budget setting cycle for 2026/27, based on the number of appeals lodged this year.

Conservation

- 2.11. There were two vacant posts in this service area throughout Q1, resulting in an underspend in employee costs of £24,458. These posts have now been recruited to with the postholders commencing employment during Q2. The current underspend in employee costs will therefore be carried through to year end.

Leisure

- 2.12. The leisure contract is £41,000 ahead of budget, due to the inflationary uplift equal to CPI (Consumer Price Index) inflation included in the contract. Unlike in previous years there is no income contingency against the contract sum, this will be reviewed as part of the budget setting process for 2026/27.

Fairer Funding Review & Business Rates Reset

- 2.13. The Government's proposals for the reform to local government funding is out for consultation until 12 August. Following on from the results of this consultation, final proposals are expected from MHCLG by the end of October.
- 2.14. The government is proposing service-specific formulas (e.g., adult social care, children's services, highways) and a general "Foundation Formula" for other services.

- 2.15. 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.
- 2.16. 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.
- 2.17. 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 between 5% & 7% in year one i.e. 2026/27. The confirmed percentage impact is expected to be released by MHCLG in October.
- 2.18. In light of the Fairer Funding Review, the MTFs has been updated in advance of the budget setting cycle for 2026/27. 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.
- 2.19. The modelling based on the provisional funding formula changes indicates a £943,000 loss of income over the three year period from 2026/27 to 2028/29. This is a better result than we have been planning for, but it is not confirmed and so the actual picture could be better than current modelling or a lot worse. The MTFs will be updated when MHCLG publish their final proposals.
- 2.20. The biggest identified pressure on the revenue budget is the end of the leisure contract in 2027. The impact is estimated as high as £2.4m growth in net cost of services, which combined with general inflation, increases our net budget from £18.7m to £21.4m between 2026 and 2027.
- 2.21. Clarity is needed on the preferred procurement approach for the leisure contract from 2027 onwards in order to understand the ongoing revenue impact. A comprehensive leisure building maintenance programme is being brought to Executive in September which will directly impact the amount of income that the new contract will generate for the Council.
- 2.22. Contract income is calculated by the leisure contractor based on a number of factors, a significant factor being the condition of the leisure centres and an estimated cost for the replacement or repair of any plant and equipment during the contract period. The higher the cost, the less income that is remitted to the Council. By committing to a comprehensive program of capital repairs to the District's leisure centres, the Council is, as far as it is able, de-risking the new contract, optimising income and reducing pressure on the revenue budget to reduce the £2.4m impact that is currently in the MTFs.
- 2.23. From a budgeting point of view It is more advantageous to the Council to incur capital expenditure, the cost of which is spread out over a number of years, rather than to lose a significant amount of income that will be taken out of the base budget in one year and not replaced.
- 2.24. As illustrated in the MTFs below, the Council will be relying on the use of the General Fund, which is forecast to reduce from the current level of £12.25m to £3m and the depletion of earmarked reserves in order to set a balanced budget up to 2029/30 which is after the LGR timeframe of 2028. The MTFs will be further updated during the budget setting cycle for 2026/27 which will start in September.

2.25. As a note of caution, it is not yet clear what it will cost to bring in the new Unitary Authorities in Oxfordshire and our reserves can only be spent once. The level of reserves we hold can realistically fund the impact of the Fairer Funding Review and Business Rates reset and potentially the costs associated with LGR along with the major capital projects that are already in train. Any new major capital expenditure will require external borrowing as our internal resources will be exhausted.

2.26. The Ministry of Housing, Communities and Local Government (MHCLG) have issued guidance for financial decisions made in advance of Local Government Reform. It states,

“it is essential that decisions regarding ongoing service delivery and the medium term financial strategy of existing councils do not compromise the future sustainability of new councils. It is essential that all involved are cognisant that decisions taken now by existing councils could fetter the future decisions of new councils and act accordingly.

Examples of those decisions include but are not limited to the sale and purchase of significant assets, transfer of local assets, entering into new contracts for service delivery including IT procurement, major organisational restructures and changes to staff terms and conditions, establishing companies, undertaking job evaluation, permanent appointments to senior positions, changes to unplanned borrowing and the spending of reserves.

The expectation is that councils continue to operate in accordance with their agreed medium term financial plans and planned actions for the period and defer the implementation of any significant changes to service delivery other than where this would cause a gap or cessation of a key service. Decisions that are necessary to ensure service delivery should not be delayed.”

In short, the Council remains responsible for making decisions on service delivery in the best interests of the residents of West Oxfordshire until Structural Changes Orders have been made. It is likely that these will follow the precedents previously set, namely that written consent from the successor council will be required for land disposals worth more than £100,000, entering contracts of more than £1,000,000 for capital and entering contracts of more than £100,000 for non-capital (whole life costs).

Medium Term Financial Strategy – Revised July 2025

- 2.27. The MTFs has been revised in light of the available details regarding the Fairer Funding Review and is fully compliant with the guidance published by MHCLG on LGR as detailed in paragraph 2.26.

	2025/26	2026/27	2027/28	2028/29	2029/30
Target Budget (NOE)	18,231,214	18,717,222	21,474,133	21,756,741	21,946,933
Financed by:					
Revenue Support Grant	(257,281)	(6,293,000)	(5,043,000)	(3,788,000)	(3,828,000)
Business Rates Share	(6,684,384)	(2,360,000)	(2,385,024)	(2,414,024)	(2,443,024)
Renewables	(302,976)	(302,976)	(302,976)	(302,976)	(302,976)
New Homes Bonus	(506,346)	0	0	0	0
Extended Producer Responsibility (Waste)	(2,338,000)	0	0	0	0
Funding Floor/Dampening	(1,964,639)	0	0	0	0
Government Grants & Business Rates	(12,053,626)	(8,955,976)	(7,731,000)	(6,505,000)	(6,574,000)
Investment Income - Pooled Funds	(1,156,227)	(1,040,604)	(936,544)	(889,717)	(845,231)
Contribution to/(from) earmarked reserves	1,327,558	(1,950,000)	(5,550,000)	(2,750,000)	(1,750,000)
Collection Fund	(133,916)	(125,000)	(120,000)	(115,000)	(110,000)
Council Tax	(6,306,283)	(6,654,794)	(6,999,039)	(7,344,368)	(7,693,693)
Total Funding	(18,322,494)	(18,726,375)	(21,336,583)	(17,604,085)	(16,972,924)
Use of GF reserves	(91,280)	(9,153)	137,550	4,152,657	4,974,009
TaxBase	48,742	49,522	50,216	50,868	51,504
Band D	129.38	134.38	139.38	144.38	149.38
Tax increase	4.02%	3.86%	3.72%	3.59%	3.46%
General fund balance	12,357,907	12,365,060	12,223,900	8,068,131	3,091,519

Capital Programme

- 2.28. At the end of Q1 capital expenditure is £643,834 against an approved Capital Programme for the year of £16.165m, which includes slippage from 2024/25 of £4.9m related to the decarbonisation of Witney Leisure Centre, Waste Vehicle replacement and repairs to our buildings.
- 2.29. The Witney PSDS project was approved to move to the construction phase by the Executive in July. Discussions are currently underway with GLL to mitigate the operational issues caused by the construction works, with contractors expected to be on site from September. The Council has received grant funding of £1.649m towards the cost of this project, with an estimated contribution from the Council of £565,549.
- 2.30. The Council contribution includes a contingency against any additional costs that may come up during the construction phase that were not anticipated as part of the Investment Grade Proposal. The project must be completed by 31st March 2026 or under the terms of the funding, the grant will be forfeited and the Council will have to fund the entire £2.2m cost of the project.

- 2.31. The Waste Transformation Programme is due to report to Executive in Q3 with a full waste vehicle strategy. This strategy will look to maximise the efficiencies attainable through partnership working across the County, that the Council could never achieve through unilateral action.
- 2.32. Due diligence work is underway regarding a number of properties suitable for temporary emergency accommodation for both single people and families.

3. CONCLUSIONS

- 3.1. Whilst it is early in the financial year there are some key areas of optimism at the end of Q1 and these have been highlighted in the body of this report. There are no significant overspends to report in Q1, a good indication that a prudent budget was set for 2025/26, however there is no guarantee that the revenue position will remain as positive throughout the rest of the year.
- 3.2. All areas will be closely monitored and reported on in future quarterly Financial Performance Reports.

4. FINANCIAL IMPLICATIONS

These are set out within section 2 of the paper.

5. LEGAL IMPLICATIONS

There are no legal implications arising from this paper.

6. RISK ASSESSMENT

- 6.1. Officers will continue to monitor budgets closely throughout the year to identify mitigating actions which will enable the overall budgetary position to be brought back in line with budget where possible.

7. EQUALITIES IMPACT

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

8. CLIMATE CHANGE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

None arising from this report.