

This report is public	
Budget Process 2026/2027	
Committee	Executive
Date of Committee	2 September 2025
Portfolio Holder presenting the report	Portfolio Holder for Finance, Property and Regeneration, Councillor Lesley McLean,
Date Portfolio Holder agreed report	12 August 2025
Report of	Assistant Director Finance (S151 Officer), Michael Furness

Purpose of report

To inform the Executive of the proposed approach to the 2026/27 Budget Process and provides context and background information on the existing Medium-Term Financial Strategy and information on latest government announcements relevant to the Strategy.

1.0 Recommendations

The meeting resolves:

- 1.1 To approve the Budget Process for 2026/27.
- 1.2 To approve the base assumptions to be used for the 2026/27 budget.
- 1.3 To approve a five-year period for the Medium-Term Financial Strategy to 2030/31 and five-year period for the Capital Programme to 2030/31.

2.0 Introduction

- 2.1 This report is the first in the series on the Budget process for the forthcoming year. It forms context and background information and is part of the process which will culminate in Council setting a budget for 2026/27; a medium-term financial strategy to 2030/31, the capital programme to 2030/31 and a Corporate Plan in February 2026.
- 2.2 The Corporate Plan will set out the council's vision and strategic priorities, aims and activities over a five-year period. It will be underpinned annually through the production of an Annual Delivery Plan, which will set out clearly the key objectives and deliverables for the year ahead. This will ensure there is a clear direction for the Council on an annual basis to support the delivery of its overarching vision and strategic priorities.

- 2.3 The Corporate Plan will inform the Medium-Term Financial Strategy, a key policy framework of the Council, through ensuring that the annual budget and Annual Delivery Plans are aligned. Therefore, Annual Delivery Plans will form part of the annual planning cycle and approval process for the Council.
- 2.4 The Medium-Term Financial Strategy (MTFS) to 2029/30, agreed by Council in February 2025, identified savings of £4.997m to be delivered in 2026/27. The MTFS also reflects expected growth for demographic and other additional directorate spending needs and inflationary costs plus impacts of agreed savings and other income growth.
- 2.5 Information on latest government announcements and their impact, as well as an overview of new and emerging pressures which will need addressing through the Budget process for 2026/27, are set out in the report.
- 2.6 There is uncertainty in government funding for 2026/27 and beyond; however, the government have committed to providing a 3-year settlement. The Council does not expect to have received the Provisional Financial Settlement until late November. In addition, formal announcements are awaited with regards to the introduction of a new Fairer Funding Formula, alongside a Business Rates Reset, and in what form transitional relief will be provided. The government have consulted on phased relief and the use of funding floors. The planning assumption in the MTFS as at February 2025 is for the Fairer Funding formula and a reset of business rates to be phased over three years, beginning in 2026/27. This will remain until the government provide a policy statement in October. This level of uncertainty remains high; however, in reviewing and updating the MTFS prudent assumptions will be made based on the latest information available.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no immediate financial implications associated with agreeing a budget process. Joanne Kaye, Head of Finance, 30 July 2025
Legal	The Council legally has to set a balanced budget each year. Ensuring there is a robust process in place will help it to achieve that. Denzil Turbervill, Head of Legal, 6 August 2025
Risk Management	The Council faces significant risks given the scale of the financial challenge for 2025/26 and 2026/27. Having a robust process in place to develop budget proposals and the associated Corporate Plan will help to mitigate these. These risks are managed as part of the operational and leadership risk register. Celia Prado-Teeling, Performance Team Leader, 31 July 2025

Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		There are no Equality, Diversity and Inclusion implications arising as a direct consequence of this report. However, as per our equalities framework, all proposals are developed in line with the Equality Act 2010. Celia Prado-Teeling, Performance Team Leader, 31 July 2025
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Climate & Environmental Impact		X		There are no sustainability implications arising directly from this report to initiate the budget process. However, the implications of proposals arising from the process will need to be reviewed to consider whether they have sustainability impacts. As the Council looks to reduce its spend it would be hoped that this would also lead to a reduction in carbon impact as well. Jo Miskin, Climate Action Manager, 31 July 2025
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	All			
Human Resources	N/A			
Property	N/A			

Consultation & Engagement	See section 4.23 – 4.27
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Supporting Information

3.0 Background

- 3.1 This initial report sets the context and the timetable for the Budget process. It sets out the assumptions on which the existing MTFS agreed in February 2025 is based, information arising from government and other announcements plus new and emerging financial issues for 2026/27 and beyond which impact on the existing MTFS.
- 3.2 The following appendices are attached to this report:
- Appendix 1: Previously agreed Savings and Income Opportunities 2025/26 – 2029/30
 - Appendix 2: Previously agreed Service Investments 2025/26 – 2029/30
 - Appendix 3: Budget Planning timetable for 2026/27
- 3.3 It is proposed that the MTFS continues to cover a five-year time frame given the financial challenges the Council is facing and is therefore extended by one year to cover 2030/31. It is also proposed that the Capital Programme also cover the same five-year period to 2030/31 as the MTFS.

4.0 Details

Assumptions in the approved Medium-Term Financial Strategy

Additional Spending & Savings

- 4.1 The 2025/26 – 2029/30 MTFS agreed by Council in February 2025 identified the requirement for additional annual savings of £4.997m in 2026/27 to offset funding reductions and to meet additional expenditure needs – this is in addition to the £0.0463m savings already planned for 2026/27. Delivery of savings identified in February 2025 for implementation in 2025/26 of £1.232m are being monitored through the monthly reporting to Executive throughout the financial year. To the extent that savings anticipated in 2025/26 are not delivered on an ongoing basis this will increase the level of savings required in 2026/27. The Council is working to minimise any ongoing savings non-delivery in 2025/26.
- 4.2 The existing MTFS has provided for inflation on pay, contracts, and fees and charges within the budget. It assumes that there will be 2.5 percent pay award over the MTFS period. Contract inflation had been provided for at 2 percent in all years of the MTFS. Fees and charges have been reviewed and increased by a minimum of 2 percent for 2026/27 (where the fee is set by the council) to reflect cost recovery and are then assumed to increase by 2 percent annually for the remainder of the MTFS period.

- 4.3 Details of the savings and service investments assumed in the existing MTFS, approved by Council in February 2025, for 2025/26 to 2029/30 are set out in Appendix 1 and 2.

Funding

- 4.4 The MTFS for 2025/26 approved by Council in February 2025, is set out in Table 1 below. This represents the scenario where the business rates reset is introduced in 2026/27, but the impact is phased over three years rather than the entire impact being felt in 2026/27 in line with the recent consultation from the Government.
- 4.5 There remains much uncertainty regarding this position over the medium term with the expected funding reforms. However, estimates were based on the most recent information available from the Government. The forecast effects of these changes are the equivalent to a 36 percent reduction in net funding. This is a result of:
- The assumption that the business rates baseline is reset in 2026/27, phased over three years, and average growth of 1.3 percent thereafter (the council has grown business rates significantly in recent years and this baseline reset results in the council losing the benefit of this retained growth)
 - the phasing out of New Homes Bonus, with a one-off payment in relation to growth in 2024/25 payable in 2025/26; the Government has previously said it will consult on a replacement NHB scheme, but it is unclear what the financial benefit will be for the council at this stage. Therefore, to be prudent the Council is assumed that NHB at 2025/26 levels is phased out over three years in line with the business rates reset assumptions.
 - Time limited grants announced by the Government for the 2025/26 financial year, e.g. Funding Floor, are expected to be received in 2025/26. The prudent assumption here is also to assume a phased reduction over three years in line with Government consultation proposal around transitional arrangements.
 - The cessation of core Revenue Support Grant (RSG), Council Tax increases of £5 per annum with on average 1.2 percent annual growth of the Council Tax base from 2025/26.
 - Other than the assumption above, no assumptions have been made that the council will receive any additional transitional finance support.
 - Taken together, the fallout of New Homes Bonus and time-limited grant funding identified above is assumed to approximate the annual 3.2% real terms reduction in funding that will be required on average by non-protected services as well as any implications from the Fair Funding Review.
- 4.6 The existing MTFS approved in February 2025 indicates that, with all of the assumptions around national funding changes, Cherwell will have a gap between its net budget requirement and its funding of £4.997m in 2026/27.
- 4.7 Details of the MTFS approved in February 2025 are set out in Table 1 below.

Table 1: MTFS as approved February 2025

MTFS Movements	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Base budget b/f	26.987	0.000	0.000	0.000	0.000	26.987
Investments	0.587	(0.188)	(0.093)	0.001	0.001	0.308
Efficiencies & Income	(1.232)	(0.463)	(0.161)	(0.100)	(0.111)	(2.067)
Capital Impact	0.106	0.037	0.208	0.165	0.210	0.726
Corporate changes	(0.992)	(0.060)	0.051	0.176	0.108	(0.597)
Inflation	0.986	0.816	0.835	0.800	0.800	4.237
Use of reserves	(0.494)	(1.396)	0.000	0.000	0.000	(1.890)
Transfer from Reserves	0.170	1.163	0.050	0.000	0.000	1.383
Transfer to Reserves	1.893	(0.892)	0.000	0.000	0.000	1.001
Additional government grants	(1.817)	2.867	0.967	0.966	0.000	2.983
Net Budget Requirement	26.194	2.004	1.857	2.008	1.008	33.071
Revenue Support Grant	(0.368)	0.368	0.000	0.000	0.000	0.000
Council Tax	(9.903)	(0.041)	(0.440)	(0.452)	0.000	(10.836)
Business Rates	(14.988)	2.354	3.433	3.458	(0.071)	(5.814)
New Homes Bonus	(0.935)	0.312	0.312	0.311	0.000	0.000
Total Income	(26.194)	2.993	3.305	3.317	(0.071)	(16.650)
Funding Gap / (Surplus)	0.000	4.997	5.162	5.325	0.937	16.421

Earmarked Reserves and General Balances

- 4.8 When the Council set its budget in February 2025, earmarked reserves (reserves held for a specific purpose) were forecast to be £31.3m as at the end of 2025/26. The latest forecast estimates that general balances will remain around £8m at the end of 2025/26. As with general balances, the level of earmarked reserves is reviewed each year as part of the Budget process. A risk assessment to determine the level of appropriate balances will also be undertaken as part of the Budget process.

Revised assumptions in the updated Medium Term Financial Strategy

- 4.9 The MTFS approved in February 2025, has now been reviewed and prudent assumptions made based on the latest information available and using scenarios and a sensitivity analysis to form a view.

Fair Funding Review

- 4.10 In June 2025, the government published a consultation paper on its proposed changes in local government funding, the Fair Funding Review 2.0. Our funding advisors, PIXEL Financial Management, have modelled the impact of the proposals on individual authorities, but there are still elements where uncertainties remain. There are still data updates make and changes in response to the consultation paper.

- 4.11 There are two types of damping within the Fair Funding Review 2.0 proposals. The first is to phase in changes over 3 years. The second is for a 0% (cash flat) funding floor.
- 4.12 Those authorities with the largest losses from the proposals, and who will be furthest from their target funding, will have a floor that is less than 0%. The government have proposed their funding floor would be between -5% and -7% in 2026-27, and 0% in the following two years.
- 4.13 Based on the latest version of the PIXEL model, the revised planning assumptions within the MTFS are:
- The full reset of business rates related income moves to 2026/27 and phased over three years.
 - New Homes Bonus will be abolished in 2026/27, and the funding from NHB will be rolled into Revenue Support Grant from 2026/27.
 - Time limited grants paid in 2025/26 including Minimum Funding Guarantee and the Employers NIC grant will also be rolled into Revenue Support Grant from 2026/27.
 - Funding from the Homelessness Prevention Grant relating to temporary accommodation will be rolled into the annual Revenue Support Grant from 2026/27.
 - Additional transitional support is due in 2027/28 and 2028/29 when resource losses are -7% lower than the funding floor.
- 4.14 Details of the MTFS movements due to the Fair Funding Review proposals are set out in Table 2 below.

Table 2: MTFS Movements – Fair Funding Review 2.0 proposals

MTFS Movements	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Fair Funding Transition						
Reverse MTFS profile	7.369	(3.685)	(3.684)	0.000	0.000	0.000
New MTFS profile	(8.608)	(0.300)	(0.408)	3.624	(0.165)	(5.857)
Net movement	(1.239)	(3.985)	(4.092)	3.624	(0.165)	(5.857)

Government Announcements

- 4.15 Since Council approved the 2025/26 budget, MTFS and Capital Programme, the government has issued a consultation on the business rates reset (April) and a consultation on Fairer Funding (July) as described above.

Further Medium-Term Uncertainty

- 4.16 Despite the government committing to a three-year settlement, there is uncertainty in government funding for 2026/27 and beyond. The Council does not expect to have received the Provisional Financial Settlement until November.

- 4.17 As there is so much uncertainty around future local government funding, in particular from 2026/27 onwards, the MTFS will continue to be updated based on the latest information available.

Savings Proposals and Income Opportunities

- 4.18 Given the challenging situation relating to funding and the high levels of uncertainty, the Council will undertake to identify savings options to address the MTFS gap should it materialise.
- 4.19 In line with the MTFS approved in February 2025 the Council will:
- Adopt a transformational approach to service delivery to shape the thinking for the future design of the Council.
 - Review the Council's service level priorities and alignment of resources to maximise delivery of priorities within the resources available.
 - Maximise income opportunities.
 - Continue to lobby policy makers.
- 4.20 Savings proposals and income opportunities will take the form of both expenditure reduction and increases in income. These will take into account the impacts identified in the MTFS approved in February 2025. Assumptions will be revisited and revised as information becomes clearer, but it is important to note that the actual implications will not be known until very late in the Budget process.
- 4.21 The Budget process will consider the impact that savings proposals may have on the strategic priorities of:
- Economic prosperity
 - Community leadership
 - Environmental stewardship
 - Quality housing and place making
- 4.22 The strategy for identifying savings will be based on the plan to address the MTFS gap which was approved by Council in February 2025. The Council will look to identify what savings can be provided by services and how they impact on priorities. In addition, the Council will undertake a cross-cutting review of the Council's strategic delivery themes identified in the Corporate Plan. The council is enhancing the planning process by developing a baseline for service provision, which will allow the council to identify the implications of differing service level options in the future.

Consultation and Engagement

- 4.23 Residents and service users expect to be consulted about council spending and council tax levels. There are no prescriptive guidelines on how and when councils should consult. Some councils prefer to consult early and explore the principles by which the council could approach balancing its budget i.e. on the 'shape of the budget', whereas others prefer to consult later and consult on the 'substance' of the budget when more formed proposals have been developed. Some council's do both and some do neither.
- 4.24 The common law duty to consult applies to budget consultation as residents' and service users' views and feedback could legitimately be expected to inform the council's budget setting process. There are also legal duties to consult residents

and services users on the detail of specific service change proposals and particularly cuts, and these are judged on a case-by-case basis.

- 4.25 Under section 65 of the Local Government Finance Act 1992, billing authorities must 'consult persons or bodies appearing to be representative of persons subject to non-domestic rates under section 43 and 45 of the 1998 Act about the rateable value (hereditaments) of properties.' We will engage businesses in our autumn consultation set out below.

Formal consultation

- 4.26 A public consultation will be published at the end of November on the 'substance' of the budget, to give the wider population and stakeholders (including businesses to meet our statutory duty) the opportunity to feedback on the council's 'formed' budget proposals. It does not, however, replace the need to specifically consult on service change proposals relating to significant service changes and where there is a legal requirement to do so.
- 4.27 Our approach will be digital first, using Cherwell District Council's consultation platform, Citizens Space Cherwell. In line with our commitment to Equality, Diversity and Inclusion, paper copies of both the booklet and questionnaire will also be available and customer services will be fully briefed to support residents if they need to request materials in alternative formats A communications promotional plan will support this exercise.

Budget and Business Planning Timetable

- 4.28 An online public consultation on CDC's budget proposals will commence when the information is published at the end of November 2025, with Budget Planning Committee (BPC) considering the budget pressures, savings and Fees & Charges proposals on 9 December 2025. Comments from BPC, along with other responses, will feed into the final formulation of proposals. As in previous years, we will look to invite all members to BPC, so they have the opportunity to comment on the proposals, subject to the Committee Chair's approval for this approach.
- 4.29 Capital proposals will also be considered by Budget Planning Committee on 9 December 2025. The Capital & Investment Strategy which incorporates the Treasury Management Strategy will be considered at the meeting in January 2026.
- 4.30 At this time, there are no firm dates when we can expect the provisional local government finance settlement, though it is anticipated that it could be received in late November, slightly earlier than previous years. This will confirm the general Government funding available to the Council for 2026/27 – 2028/29 and the Council Tax referendum limit to be applied.
- 4.31 The Executive will take into consideration the comments from the BPC in December 2025 and comments from the public consultation alongside the funding available announced as part of the provisional settlement, at its meeting on 3 February 2026 in setting out its proposed budget to Council.
- 4.32 The Council meeting to agree the 2026/27 revenue budget, MTFs and capital programme will take place on 23 February 2026.

4.33 A timetable for the Budget process is attached at Appendix 3.

5.0 Alternative Options and Reasons for Rejection

- 5.1 The Council has a legal obligation to set a balanced budget and evaluate its level of reserves to ensure they are held at a suitable level. Therefore, there are no alternative options other than to carry out a budget process that reviews the levels of reserves and identifies a budget proposal that can be delivered within the overall level of resources available to the Council.

6.0 Conclusion and Reasons for Recommendations

- 6.1 The Council has a legal obligation to set a balanced budget and ensure it maintains a suitable level of reserves each year. The process laid out in this report will allow CDC to develop budget proposals that will allow it to meet these legal obligations.

Decision Information

Key Decision	No
Subject to Call in	Yes
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Previously agreed Service Efficiencies and Income Proposals 2025/26 – 2029/30
Appendix 2	Previously agreed Service Investments 2025/26 – 2029/30
Appendix 3	Budget Timetable for the 2026/27 Process
Background Papers	None
Reference Papers	Council 24 February 2025: Budget Setting for 2025/26 and the Medium-Term Financial Strategy up to 2029/30
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Corporate Director Approval (unless Corporate Director or Statutory Officer report)	N/A – report of statutory officer, S151 Officer