

This report is public	
Budget Setting for 2026/27 and the Medium-Term Financial Strategy up to 2030/31	
Committee	Executive
Date of Committee	3 February 2026
Portfolio Holder presenting the report	Portfolio Holder for Finance, Regeneration and Property, Councillor Lesley Mclean
Date Portfolio Holder agreed report	16 January 2026
Report of	Assistant Director of Finance (Section 151 Officer), Michael Furness

Purpose of report

To consider and recommend the Budget Setting for 2026/27 and MTFS 2030/31 as per the recommendations.

Recommendations

The Executive resolves to:

- 1.1 Recommend this budget proposal to Council, and in doing so note the summary of consultation responses in Appendix 10.
- 1.2 Delegate authority to the Section 151 Officer (S151), following consultation with the Leader of the Council and Portfolio Member for Finance, Regeneration and Property to complete the legal Council Tax calculations once all the information required has been received and submit as appendices to the budget report to Council.
- 1.3 Delegate authority to the S151, following consultation with the Leader of the Council and Portfolio Member for Finance, Regeneration and Property to make appropriate changes to the proposed budget to Council including policies and plans.

The Executive resolves to recommend to Council as follows:

- 1.4 To approve the proposed Fees and Charges schedule for 2026/27 (Appendix 7) and statutory notices be placed where required.
- 1.5 To consider and note the Equality Impact Assessments of the Budget (Appendix 8)
- 1.6 In relation to the Corporate Plan (Section 4.1) to:
 - 1.6.1 note the Corporate Plan Vision and Strategy set out in Appendix 1.

1.6.2 approve the Annual Delivery Plan set out in Appendix 2.

1.7 In relation to the Revenue Budget Strategy (Section 4.2) and Medium-Term Financial Strategy (MTFS) (Section 4.6) to approve:

1.7.1 The net revenue budget for the financial year commencing on 1 April 2026, as set out in Table 4.2.1, and further analysed in the Budget Book provided at Appendix 12.

1.7.2 The MTFS and Revenue Budget 2026/27 (Sections 4.6 and 4.2 respectively), including the Savings Proposals and Investments included at Appendices 4 and 5 respectively.

1.8 In relation to Council Tax (Section 4.2.49) to approve:

1.8.1 An increase in the Basic Amount of Council Tax for Cherwell District Council for the financial year beginning on 1 April 2026 of £5, resulting in a Band D charge of £163.50 per annum.

1.8.2 From 1 April 2027 the implementation of a premium (second homes premium) of 100% for dwellings that are no one's sole or main residence and are substantially furnished, following consultation undertaken in November and December 2024 which showed 88% support for the introduction.

1.8.3 That the mandatory notice of 12 months to all owners of second homes that a premium will commence from 1 April 2027 be issued

1.8.4 That relevant exceptions be applied as set out by Government guidance (Appendix 22)

1.9 In relation to the Capital Programme and related strategies (Section 4.3) to approve:

1.9.1 The Capital Bid(s) and Capital Programme at Appendices 17 and 18 respectively.

1.9.2 The Capital and Investment Strategy 2026/27 (Appendix 19), including the Minimum Revenue Provision (MRP) Policy.

1.9.3 The Treasury Management Strategy, including the Prudential Indicators, and Affordable Borrowing Limit for 2026/27 (Appendix 21).

1.10 In relation to reserves (Section 4.4) to approve:

1.10.1 A minimum level of General Balances of £8.011m as supported by Appendix 15.

1.10.2 The Reserves Policy (Appendix 14).

1.10.3 The medium-term reserves plan described in Appendix 16.

1.11 In relation to the Pay Policy Statement to approve:

1.11.1 The Pay Policy Statement, as required by the Localism Act 2010, detailed in Appendix 9.

1.12 In relation to the Pension Fund (Section 4.5) to:

Cherwell District Council

1.12.1 Approve a pension fund prepayment for the years 2026/27 – 2028/29 of £5.028m.

2. Executive Summary

- 2.1. The council has published its Vision and Strategy which describes its ambition to create a modern council inspiring and enabling positive, lasting change. This plan is the council's commitment to every resident, community, and future generation across Cherwell. The vision and strategy provide a roadmap for achieving these goals and this in turn is supported by the Corporate Plan and Annual Delivery Plan. The budget and Medium-Term Financial Strategy are formulated to support and enable their delivery. This report is the culmination of the Annual Budget and Business Planning process for 2026/27 to 2030/31 and sets out the Executive's proposed Corporate Plan and related revenue budget for 2026/27, medium term financial strategy to 2030/31, capital programme to 2030/31 and all supporting policies, strategies, and information to recommend to Council.
- 2.2. The council adopts a forward looking and anticipatory approach to its financial management. The council plans for, and continues to succeed in, encouraging and facilitating economic growth across the district. This success flows through to the council's finances, reflected in past levels of income received from business rates and the New Homes Bonus grant and now reflected within the transitional protection payments due to be received from Government across the Spending Review period.
- 2.3. The council has proactively monitored both the economic situation and Government announcements, as well as communicating with Government over proposed changes to local government funding allocations. Over the past 12 months the council has devised and implemented a budget and business planning strategy that has delivered within the constraints identified, consulting on a proposed balanced budget in November 2025. Some of the key issues raised by the Council with Government were reflected in the Government's Policy Statement and Provisional Local Government Finance Settlement, announced on 17 December 2025. This has resulted in an improved resource position over the medium term compared to the position assumed in the budget consultation.
- 2.4. The council is committed to continuous improvement and has reviewed service levels to ensure best value for money and is implementing the Cherwell Futures Programme to transform key services. These demonstrate a strong approach to future budget management and alignment to priorities.
- 2.5. The council has considered the risk of interest rate volatility and regularly monitors the change in interest rates. A large proportion of the council's debt is held at fixed rates reducing the council's exposure. However, if interest rates do not fall in line with the forecasts provided by the council's treasury advisor, then it has set aside an interest rate risk reserve as a further mitigation.
- 2.6. This is also the first year that capital proposals have been developed alongside a carbon impact assessment. This high-level assessment is a first step on the journey to improving the council's understanding of how budgetary changes impact on the environment and climate change. New capital proposals are given a RAG status of either:

- Red – increased carbon emissions
- Amber – broadly neutral carbon emissions
- Green – reduced carbon emissions

2.7. The proposed net budget for the council is £32.3m, which is an increase of £6.1m from 2025/26. The council plans to fund £1.9m of service investments and will set aside £1.3m of Development Funds for Strategic Development (£0.4m) and Local Area Development (£0.9m). The council will also deliver £2.3m of savings proposals and operational efficiencies as part of the 2026/27 budget. A Band D Council Tax of £163.50 is proposed for the year which is an increase of £5 compared to 2025/26. The Capital Programme for the period 2026/27 – 2030/31 is proposed to be £31.6m.

Implications & Impact Assessments

Implications	Commentary
Finance	<p>The financial implications are set out in this report. The council has a statutory duty to set a balanced budget and could be subject to intervention of the Secretary of State if it failed to do so.</p> <p>Joanne Kaye, Head of Finance (Deputy S151 Officer), 24 December 2025</p>
Legal	<p>The Council is legally required to set a balanced budget each year together with a requirement to produce a Revenue Budget under the various Local Government Finance Acts. The legal framework for which is set out in the main body of this report. Officers consider the recommendations will achieve this if approved by full Council.</p> <p>Section 65 of the Local Government Finance Act 1992 requires that the Council must consult persons or bodies appearing to it to be representative of persons subject to non-domestic rates in its area about the Council's proposals for expenditure (including capital expenditure) in the financial year. The Council must do this each year and do so before the budget decision making meeting (makes its calculations for the council tax requirement) in relation to the financial year.</p> <p>The statutory consultation outlined above has taken place alongside a more general consultation with the wider public on the draft budget and budget priorities. The savings proposals have been consulted upon as appropriate, and further consultations may be required prior to implementing certain proposals.</p> <p>Members must have regard to the s25 report of the s151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.</p>

	<p>The Public Sector Equality Duty S149 (1) requires a Local Authority in exercise of its functions to have due regard to the need to:</p> <p>(a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.</p> <p>(b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.</p> <p>(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</p> <p>Decision makers must keep the above requirements in mind when making decisions.</p> <p>Shiraz Sheikh, Assistant Director Law and Governance and Monitoring Officer, 22 January 2026</p>			
Risk Management	<p>The proposals in this report have been developed on a prudent and well- evidenced basis, informed by the best information currently available and supported by the Council’s established financial and governance arrangements. While some uncertainty remains in the later years of the Medium- Term Financial Strategy, this is recognised and will be kept under review.</p> <p>The budget includes appropriate contingencies and reserves to provide flexibility should circumstances change. No significant risks have been identified that cannot be managed through routine monitoring and established mitigation measures. Setting a balanced budget further mitigates the risk of the Council failing to meet its statutory duties.</p> <p>Celia Prado-Teeling, Performance Team Leader, 22 January 2026</p>			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		x		<p>In line with the council’s Equalities framework; Including Everyone services have carried out Equalities Impact Assessments (EIAs) to ensure budget savings proposals will not discriminate or disadvantage the any of the district’s diverse communities. The overarching EIA, considering the overall impact of the budget proposals, is published as Appendix 8.</p> <p>Celia Prado-Teeling, Performance Team Leader, 22 January 2026</p>
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could		X		

impact on inequality?				
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				<p>Sustainability implications are included in Section 4.7 of this report.</p> <p>Hitesh Mahawar, Climate Change Programme Manager, 21 January 2026</p>
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	<p>The council sought the views of residents and businesses during the period of 20 November 2025 until 23 December 2025.</p> <p>The Budget Planning Committee considered the revenue budget savings proposals, service investments, capital bid(s) and fees and charges in a report on 9 December 2025. The comments of the Budget Planning Committee to feed back to the Executive are summarised in Appendix 20.</p> <p>The Accounts, Audit and Risk Committee considered and recommended to full Executive the Capital and Investment and Treasury Management Strategies and the associated Appendices on 14 January 2026.</p> <p>Budget Planning Committee also considered and recommended the 2026/27 planned reserves levels, Capital and Investment Strategy at its meeting on 20 January 2026.</p>			

Supporting Information

3. Background

- 3.1 The Budget and Business Planning report to Council on 23 February 2026 will be set out in the following sections:
1. Corporate Plan
 2. S151 Officer's Statutory Report
 3. Revenue Budget Strategy
 4. Capital & Investment Strategy
 5. Reserves
 6. Pension Fund
 7. Medium-Term Financial Strategy
 8. Climate Action
 9. Council Tax
- 3.2 This report sets out Executive's proposed Corporate Plan for 2026-31, Revenue Budget Strategy, the Capital & Investment Strategy, Reserves and how it intends to address the Medium-Term and Climate Action. Alongside this, the report also sets out the Review of Fees and Charges for 2026/27.
- 3.3 The Executive's proposed Corporate Plan has been prepared to ensure the priorities of the council are clear and set out the direction the organisation is moving in in order to deliver improved outcomes for its residents. The revenue and capital budget proposals are informed by the proposed Corporate Plan and the Vision and Strategy within this, whilst taking into consideration the latest information on the council's financial position outlined in this report and comments from the Budget Planning Committee meeting on 9 December 2025. In finalising the proposals, the Executive has also taken into consideration feedback from the public consultation on the proposed Vision and Strategy, capital and revenue budget proposals and Council Tax increase.
- 3.4 The Government's "Local Government Finance Policy Statement 2026/27 to 2028/29" set out how the government believes that "Local government exists to make people's lives better and improve the places where they live". The statement sets out the Government's goals with the Fair Funding Review of fairly assessing local need; properly accounting for different levels of local tax; building a system that is fit for the future which incentivises house building and local economic growth and gives local councils greater certainty with fair transitional arrangements. The statement can be found here:
- <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2026-27-to-2028-29>
- 3.5 On Wednesday 18 December 2025, the government published its provisional three-year settlement for Local Government which can be found here:
- <https://www.gov.uk/government/publications/local-government-finance-report-2026-to-2027-draft>

3.6 The impact for the Council of this three-year settlement as compared to the planning assumptions made in February 2025 can be summarised as follows in Table 3.6.1:

Table 3.6.1 Comparison of funding assumptions

Assumption	February 2025	November 2025 Consultation	February 2026
Transitional arrangements	Phased drop out of 100% of business rates growth, new homes bonus and other support grants; over 3 years in 3 equal steps.	Single drop to 93% floor in year 1 from 2025/26 baseline funding position, held at 93% for 3 years.	Phased over 3 years with single drop to 95% floor in year 1 from 2025/26 baseline funding position, held at 95% for 3 years.
Year 4	No further transitional support	No further transitional support	Planning scenario is for another 95% floor – with other scenarios developed to aid potential planning requirements
Business Rates Pooling Income	Not included in the Baseline Funding Level so assumed 100% reduction	Not included in the Baseline Funding Level so assumed 100% reduction	Included in the Baseline Funding Level resulting in 5% reduction
Fair Funding	New calculation based on metrics of need would be detrimental	New calculation based on latest metrics of need would be less detrimental than Feb 25 assessment	New calculation based on latest metrics of need would be less detrimental than Feb 25 assessment
Council tax referendum limit	3% or £5 band D whichever is greater	3% or £5 band D whichever is greater	3% or £5 band D whichever is greater

3.7 The provisional settlement was broadly as expected following announcements in the 20 November 2025 Policy Statement and the government's response to the Fair Funding consultation. However, there were significant variations when compared to the assumptions in the budget consultation due to:

- That the funding floor should be increased from 93% – the consultation suggested that the council would be subject to a funding floor of 93%. The Government has introduced a funding floor for Cherwell of 95%.
- That business rates pooling income should be considered in the baseline position – this change ensured that instead of losing 100% of pooling income, the council has only lost 5% of the Government's assessment of retained pooling income.

The council had built its financial models for consultation on the indicative information provided by the Government's response to the Fair Funding Consultation at that point.

3.8 In order to support the council with its task of approving the budget for 2026/27 this report explains and explores the impacts of the various building blocks that make up the final budget of the council including:

- estimated impact of the financial outturn for the council for 2025/26
- cost of the services that the council provides
- commercial activity and income
- financing the council (borrowing and investments)
- inflationary and other price change impacts
- budget proposals (savings and investments)
- capital investment proposal(s)
- reserves and the use of reserves to support the budget
- an assessment of the financial resilience of the council
- national funding assumptions for future years and the medium-term funding gap

3.9 This report also sets out the Vision for the Council and proposed priorities for the next five years (2025-2030), which has informed the draft 2026/27 budget and the MTFS.

3.10 Finally, the report summarises the next steps that will allow the council to consider, approve and set balanced budgets over the MTFS period.

4. Details

4.1 Vision and Strategy

4.1.1 The council refreshed its Vision and Strategy (Corporate Plan) in 2025/26 to be:

“A modern council inspiring and enabling positive, lasting change”

4.1.2 The council is dedicated to inspiring and enabling positive, lasting change for its residents and communities. Its vision is to be a modern, forward-thinking council that embraces opportunities and addresses challenges with innovation and collaboration. With this in mind, the Vision (see Appendix 1) sets out the following four key priorities looking ahead to 2030 and is summarised below in Table 4.1.1:

Table 4.1.1 Strategic Priorities and Goals

A modern council inspiring and enabling positive, lasting change	
Strategic Priority	Strategic Goal
Economic prosperity	Create vibrant economic centres and thriving rural villages
	Build an inclusive and green economy

Community leadership	Strengthen community collaboration and resilience
	Promote health and wellbeing with a focus on inequality
Environmental stewardship	Safeguard the environment and promote biodiversity
	Promote the circular economy of reduce, reuse and recycle to minimise waste
Quality housing and place making	Deliver sustainable and strategic development that meets Cherwell's needs now, and in the future
	Achieve more high-quality, secure, and affordable housing that caters for the diverse needs of our residents

4.1.4 Over the coming year, the council has agreed a detailed set of actions across each strategic priority to progress its achievement of the longer-term strategic goals. Please see Appendix 2 for a summary of these actions.

4.1.5. In addition to the externally focused strategic priorities, the council also has in place a set of “internal perspectives” that focus on how the council operates in order to support the delivery of the Vision. The overarching internal approach is:

“We work as one council”

4.1.6 The three “internal perspectives” and corresponding goals and aims to help deliver the vision are summarised below in Table 4.1.2:

Table 4.1.2 Internal Perspectives, Goals and Aims

We work as one council		
Internal Perspective	Strategic Goal	Strategic Aims
Achieving the best possible customer and resident outcomes we can	Customer and resident insight drive	We are passionate about meeting customer and resident needs, designing our services to achieve our priorities. We have clear service levels that customers can expect us to consistently meet. By empowering individuals and teams, and working with partners, customers and residents – issues are owned and resolved.
	Data and digitally enabled	We have efficient policies and processes to deliver services, enabled by the best use of data and digital technology for those that can use it. This enables us to have a shared view of customer issues and needs from our data and systems.
Unlocking our people's potential to achieve great things	Values led	We are proud of our council and constantly strive to improve ‘the way we do things’. We have a distinct Cherwell identity with clarity over our direction and people really want to work, develop and thrive here.

	Performance focused	We consistently deliver on the things we say we will do. Strong leadership and effective management helps us to unlock people's potential with a relentless focus on recognition and performance.
Maximising the value of every pound to deliver our priorities	Priority and outcome focused	We have a clear prioritisation of outcomes, across the council, based on the Council Plan. We agree a medium-term financial strategy to maximise the delivery of outcomes within a balanced budget.
	Financially aware	We understand the full impact of every pound we spend and generate (both revenue and capital) and are rigorous in our financial and performance management. We have a commercial mindset around our contracts, cost recovery and delivering our plans.

4.2 Revenue Budget Strategy

Forecast Financial Outturn 2025/26

- 4.2.1 The Budget Planning Committee and the Executive regularly review the forecast outturn as part of the monthly Finance Management reports. The financial year 2025/26 has been a challenging year in continuing to deal with the ongoing impact of the Cost-of-Living Crisis whilst continuing to deliver council services.
- 4.2.2 The forecast outturn position as at 31 December 2025 is on target. The council does not anticipate any material deteriorations to this position before the year end and so the 2025/26 outturn should not impact adversely on the council's reserves position. There are a number of savings proposals from 2025/26 which have not been fully delivered. Where this has been identified and there is an anticipated impact in future years, this has been taken into account within the budget proposals for 2026/27.
- 4.2.3 Managers have considered their current operational and financial performance when developing their future budget requirements and where necessary included service investments or proposed budget reductions as part of the budget setting process. These are described later in this report. The budget requirements and the changes requested by managers have been scrutinised by senior managers over a number of individual sessions allowing for challenge and consideration across the range of council budgets. This helps to ensure the proposals align with the council's objectives.

Net Cost of Services for 2026/27

- 4.2.4 Having reviewed the impact of prior years' financial information, the next step in setting a budget is to consider the "Net Cost of Services" which includes the costs and income streams directly attributable to service delivery and commercial activities. Table 4.2.1 summarises the proposed budget for 2026/27 by service area.

Table 4.2.1: Net Cost of Services

Directorate	Net budget 2026/27 £m
Chief Executive's Office	2.402
Resources	9.978
Neighbourhood Services	8.888
Place and Regeneration	0.865
Service Sub-total	22.133
Corporate Costs	6.655
Policy Contingency	2.179
Development Funds	1.300
Net Cost of Services	32.267

- 4.2.5 The largest proportion of the expenditure budget, excluding benefits payments, is spent on staffing (35 percent of gross expenditure).
- 4.2.6 Service income streams that are assumed within the net cost of services include fees and charges (e.g. planning fee income, income from car parks, licences etc.), service specific grants and rental income from all council-owned properties. For information on categories of Income and Expenditure, please see Appendix 6 for a summary by type of expenditure and Appendix 12 for more detail at a Directorate level.
- 4.2.7 A thorough review of service levels and budgets has taken place and savings identified at Appendix 4 that will allow the council to operate within the level of resources that it anticipates will be available to it in 2026/27. Full monitoring of the savings programme will take place throughout 2026/27.

Budget Proposals (Investments and Savings)

Service Investments

- 4.2.8 The council has identified new service budget investments of £2.097m for 2026/27 and a further £0.001m of savings non-delivery. Service budget investments approved in previous years have reduced by £0.189m resulting in an overall increase in service budget investments of £1.909m. The full schedule of existing and new service investments can be seen at Appendix 5. Table 4.2.2 summarises the service investments which have been included within the Net Cost of Services.

4.2.9

Table 4.2.2: Service Investments

Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Ongoing Impact £m
Chief Executive's Office	0.044	(0.022)	0.000	0.000	0.000	0.022
Resources	0.356	0.000	0.000	0.000	0.000	0.356
Neighbourhood Services	1.065	0.001	0.000	0.012	0.012	1.090
Place and Regeneration	0.444	(0.195)	(0.071)	0.001	0.000	0.179

Total Investments	1.909	(0.216)	(0.071)	0.013	0.012	1.647
Prior Year Investments	(0.189)	(0.094)	0.000	0.000	0.000	(0.283)
Savings Non-delivery	0.001	0.001	0.001	0.001	0.000	0.004
New Investments	2.097	(0.123)	(0.072)	0.012	0.012	1.926
Total Investments	1.909	(0.216)	(0.071)	0.013	0.012	1.647

Development Funding

- 4.2.10 In addition to service investments, the council will introduce new development funds to focus on both strategic district wide and local priorities of the council and its residents. For 2026/27 there will be a £0.400m strategic development fund as well as 3 local development funds of £0.300m. This will result in a total of £1.3m being available across the district to progress projects. The funds will be available over the Government's three-year settlement period.

Strategic Development Fund

- 4.2.11 The strategic development fund £0.400m has been made available for one year only to carry out planning and investigatory work for strategic projects across the district. Work will be commissioned to develop costed proposals for how the council can further the delivery of its priorities through projects including:
- photovoltaic installations in line with the council's forthcoming solar strategy
 - how the council can make best use of the water assets of the districts by considering a river/canal leisure corridor
 - enabling S106 fund application
 - Prosperity related projects
 - Cultural spaces
- 4.2.12 Once proposals for how these projects could be delivered have been prepared and costed, consideration will be given as to whether their future financial impacts should be built into future years budgets.

Local Area Development Funds

- 4.2.13 The council will introduce 3 local development funds of £0.300m each for a period of 2 years. The MTFS currently assumes there will be a third year of Local Development Funds of £0.233m each. The local development funds will be for each of the three main urban centres and their surrounding areas meaning that the entire district will have access to local development funding.
- 4.2.14 Local Development Funds will see local ward councillors have the opportunity to be involved in an area framework that allows them to recommend proposals to the Executive to be funded to the benefit their areas. Examples of potential schemes that may be put forward include:
- Relieving deprivation and improving access and opportunity with projects similar to, or an enhancement of, "Brighter Futures in Banbury".
 - Improving local public realm and the experience of the local area
 - Enhancing green and amenity spaces
 - Introducing growing spaces
 - Flood prevention

Service Efficiencies and Income Proposals

- 4.2.15 In total, savings of £2.290m are proposed for 2026/27, of which £0.256m were previously planned. As part of the council's commitment to fulfil its best value duty by delivering value for money, and through a process of continuous improvement and service transformation, operational efficiencies of £1.419m and additional revenue of £0.366m have been identified for 2026/27. In November and December 2025, the council consulted on the new savings proposals. After receiving consultation responses and considering the level of resources available to it following the provisional Local Government Finance Settlement, the council has amended its savings proposals. The full schedule of savings can be seen at Appendix 4.
- 4.2.16 Table 4.2.3 provides a breakdown of how the total savings of £2.290m for 2026/27 are allocated across the service areas.

Table 4.2.3: Service Efficiencies and Income Proposals

Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Ongoing Impact £m
Chief Executive's Office	0.010	0.000	0.000	0.000	0.000	0.010
Resources	(0.145)	(0.001)	0.000	0.000	0.000	(0.146)
Neighbourhood Services	(0.671)	(0.599)	(0.278)	(0.050)	(0.050)	(1.648)
Place & Regeneration	(0.475)	(0.142)	(0.102)	(0.102)	0.000	(0.821)
Exec Matters	(1.009)	(0.258)	(0.258)	(0.009)	0.000	(1.534)
Total Efficiencies & Income	(2.290)	(1.000)	(0.638)	(0.161)	(0.050)	(4.139)
Prior Year Efficiencies	(0.256)	(0.151)	(0.110)	(0.111)	0.000	(0.628)
New Efficiency Savings	(1.419)	(0.849)	(0.528)	(0.050)	(0.050)	(2.896)
Prior Year Income	(0.249)	0.000	0.000	0.000	0.000	(0.249)
New Income	(0.366)	0.000	0.000	0.000	0.000	(0.366)
Total Efficiencies & Income	(2.290)	(1.000)	(0.638)	(0.161)	(0.050)	(4.139)

- 4.2.17 All of the service investments and savings proposals are included in the proposed budget for 2026/27 which would allow a balanced and legal budget to be set.

Response to Consultation

- 4.2.18 The council invited residents and local businesses to give their views on its budget saving proposals for 2026/27 between 20 November 2025 and 23 December 2025. This opportunity was widely promoted through a multifaceted communications campaign. During the consultation period 1,184 respondents took the time to give us their views. The council is grateful to everyone that took the time to learn more about its budget proposals and particularly those that provided their views on them.

- 4.2.19 The council has considered and listened to the feedback in relation to the proposed changes to the funding of Banbury Museum. In response, the council proposes to reinstate the majority of its support to Banbury Museum in 2027/28 and introduce a phased reduction in support over the longer term. In addition, the council plans to carry out a further service specific consultation on the proposal to introduce three weekly residual waste collections and encourage greater levels of recycling from 2027/28 to gather additional feedback.
- 4.2.20 The council has also considered feedback from the consultation on capital projects. There was negative feedback on some of the proposals around Castle Quay. As such the council has listened and removed a project to enhance one of the vacant units in Castle Quay with a value of £0.050m.

Corporate Updates

Inflation

- 4.2.20. The council 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 in 2026/27, and thereafter for the remaining years of the MTFS period. Contract inflation had been provided for at 3.5 percent in 2026/27, falling to 2 percent in all remaining years of the MTFS. Fees and charges have been reviewed and increased by a minimum of 3.5% for 2026/27 (where appropriate) to reflect cost recovery and are then assumed to increase by 2 percent annually for the remainder of the MTFS period. A schedule of proposed fees and charges is set out at Appendix 7.

Castle Quay

- 4.2.21 Castle Quay development was part of a long-term wider Banbury regeneration project approved by the Executive on 4 December 2017. The Castle Quay development forecasts income generation across the MTFS period. The latest MTFS forecast takes into consideration:
- The current outturn forecasts for 2025/26
 - The post pandemic economic climate
 - Changes to the retail market and ongoing shopping patterns
 - Anticipated changes in rental agreements based on information available at the time of setting the budget
- 4.2.22 As a result, the 2026/27 budget has been revised down by £1.131m compared to the 2025/26 MTFS assumptions. The council has made prudent assumptions about lease renewals within the current economic climate and has not factored in the potential benefits from increased footfall associated with the council's head office relocating to Castle Quay.
- 4.2.23 Despite the prudent assumptions around Castle Quay and the finances, the Council is progressing its exciting new plans around the development of Castle Quay. The Council moved its main administrative base from Bodicote and into Castle Quay in Spring of 2025. This move brings significant benefits to the Council, Castle Quay and Banbury Town Centre itself including:
- Continued reduction in annual running costs of the main administrative headquarters

- Creation of a modern work environment
- A central location with improved access for staff and residents
- Increased footfall from staff and visitors throughout Castle Quay and Banbury town centre, helping to encourage other businesses to locate in Banbury town centre and Castle Quay.

4.2.24 Additionally, the Council continues to be in discussions with a number of organisations around letting vacant spaces within Castle Quay at commercial rates. These potential tenants would help to further the Council's vision to use Castle Quay as a mixed-use facility to help with the ongoing regeneration of Banbury town centre, leading to additional footfall within Banbury.

4.2.25 The council recently announced that a brand-new, state-of-the-art library is planned to open in Castle Quay by the end of the 2026/27 financial year. Following an agreement between the council and Oxfordshire County Council, Banbury Library will relocate from its existing site on Marlborough Road to the Castle Quay shopping centre, placing it at the heart of Banbury. The new site will provide a larger, more modern and energy-efficient space, designed with accessibility in mind and will be better placed to meet the needs of the local community. This move is part of an ongoing project to modernise Oxfordshire's libraries, with several other communities already benefiting from upgrades that improve accessibility and facilities.

Executive Matters

4.2.26 Executive Matters includes non-service costs including borrowing costs, interest receivable, contributions to and from reserves and a Policy Contingency budget. The Executive Matters budget also includes non-ringfenced general grants.

4.2.27 The impact of the cost-of-living crisis has continued to have a significant impact on the finances and services of the council in 2025/26. The economic impacts of 2026/27 are unclear but significant adjustments to the income assumptions in Castle Quay have been realised and so the market risk element of contingency has significantly reduced in order to address this. However, the council continues to hold a small market risk reserve.

4.2.28 In addition, the council has set aside an inflation contingency and a general contingency. Table 4.2.4 shows the provisions that have been made in the Policy Contingency budget:

Table 4.2.4: Contingencies

Policy Contingency	2026/27 £m
Inflation Contingency	1.780
Market Risk	0.055
General Contingency	0.344
Total	2.179

4.2.29 Table 4.2.5 below shows the movement from the approved 2025/26 budget to the draft budget for 2026/27.

Table 4.2.5: Budget Movement from 2025/26 to 2026/27

Directorate	2025/26 Budget	Service Investments	Savings Proposals	Capital Impact	Corporate Changes	Transfer from Reserves	Use of Reserves	Transfer to Reserves	Grants	Inflation	2026/27 Budget	Change %
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Chief Executive's Office	1.745	0.044	0.010	0.000	0.635	(0.032)	0.000	0.000	0.000	0.000	2.402	38%
Neighbourhood Services	9.640	1.065	(0.671)	(0.030)	0.929	0.309	(0.309)	0.000	(2.020)	(0.025)	8.888	-8%
Place & Regeneration	(0.752)	0.444	(0.475)	0.000	1.696	0.012	(0.140)	0.027	0.000	0.053	0.865	-215%
Resources	9.402	0.356	(0.145)	0.000	0.550	0.575	(0.575)	0.000	(0.215)	0.030	9.978	6%
Exec Matters	3.731	0.000	(1.009)	0.654	(2.143)	(0.200)	0.000	0.564	5.058	0.000	6.655	78%
Policy Contingency	2.428	0.000	0.000	0.000	(1.004)	0.000	0.000	0.000	0.000	0.755	2.179	-10%
Development Funds	0.000	0.000	0.000	0.000	1.300	0.000	0.000	0.000	0.000	0.000	1.300	
Net Budget	26.194	1.909	(2.290)	0.624	1.963	0.664	(1.024)	0.591	2.823	0.813	32.267	23%

4.2.30 Corporate Changes reflect policy changes which have already been approved by the Executive, such Minimum Revenue Provision and Treasury. As decisions have already been taken these did not need to be consulted on.

Council Financing

- 4.2.31. The 2026/27 Local Government Finance Settlement is the first multi-year Settlement in a decade, running from 2026/27 to 2028/29. The settlement sets out provisional allocations for all three years of the multi-year Settlement.
- 4.2.32. Funding distribution was last updated in 2013/14, and since then there has been an updated 4-year settlement (from 2016/17) and a series of one-year settlements.
- 4.2.33. Added to that, there is a full baseline business rates growth reset; the first since the Business Rates Retention Scheme was introduced in 2013/14, major changes to all the Relative Needs Formulas, and the simplification of many grants.
- 4.2.34. The funding review began in 2016, and the 2026/27 settlement builds on the work of previous governments. However, the 2026/27 provisional settlement is the first time that local authorities have seen formal funding allocations. There have been a significant number of changes to the distribution of funding and protection from losses of the funding for local government within the settlement when compared to the summer consultation.
- 4.2.35. Throughout the last 2 years the Council has engaged significantly with the Government on the potential impacts the fair funding review and a Business Rates Reset could have for Cherwell and used all channels available to it to raise awareness and suggest practical solutions. The Government's consultation, policy statement and then provisional finance settlement certainly responds to some of the key themes that the council had been advocating.

- 4.2.36. The two most fundamental points that the council lobbied the Government on following the summer consultation and have been addressed were:
- That the funding floor should be increased from 93% – the consultation suggested that the council would be subject to a funding floor of 93%. The Government has introduced a funding floor for Cherwell of 95%.
 - That business rates pooling income should be considered in the baseline position – this change ensured that instead of losing 100% of pooling income, the council has only lost 5%.
- 4.2.37 These changes have resulted in the council receiving £4.4m additional funding in 2026/27 compared to what it had anticipated it would receive at the time of consulting with the public on the budget.
- 4.2.38 In addition to the fees and charges income streams and grant funding, both of which are recorded in the Net Cost of Services, the council funds the balance of its activities from the following sources:

Business Rates Retention

- 4.2.39. Under the business rates retention scheme, 50 percent of the business rates collected is retained locally and shared between the council (40 percent) as the billing authority, and Oxfordshire County Council (10 percent) as the major precepting authority, the remaining 50 percent goes to central government.
- 4.2.40. The council, as the billing authority, is required to notify the Secretary of State and major precepting authorities the forecast amount of business rates collectable during the year before the beginning of a financial year.
- 4.2.41. From 1 April 2026, the government is resetting the business rates retention scheme, redistributing growth in business rates since 2013/14 across the country; and introducing a full revaluation of non-domestic properties resulting in the following changes will take effect:
- A new rating list following a full revaluation of non-domestic properties.
 - The introduction of new business rate multipliers, creating a total of 5, with lower rates for smaller properties and retail, hospitality and leisure properties under £500k, funded by higher multipliers for larger properties.
 - New Business Rates Baselines (BRB), Baseline Funding Levels (BFL) and top-up or tariffs. New BFLs will be based on an updated assessment of need, developed as part of the government's Fair Funding Review 2.0. The reset is a redistributive exercise, which means all business rates growth accumulated locally since 2013/14 will be reassigned across the sector from April 2026.
 - An increased safety net threshold to 100% of BFL to provide increased certainty when budgeting for business rates income in 2026/27, scaling back to the current 92.5% level over the 3-year settlement period.
 - The levy on growth has been redesigned. The new marginal levy rate will apply to business rates growth in a similar way to income tax bands, where the income in each band or margin would be charged a levy at the appropriate rate.

- The same marginal levy structure will be applied to pools. This is a change to the current system where local authorities who pool together have a specific levy rate allocated for the pool as a whole.

4.2.42. The council sets its business rates income budget based on the following:

- The Government deducts a tariff on business rates collected by the council as a way to nationally redistribute business rates collected based on need.
- A levy is also deducted by the Government on growth in business rates above the baseline set in 2026/27 determined by the Government.
- Due to the changes in the approach to the levy and pooling arrangements, the council will no longer enter into a pooling arrangement with other authorities across Oxfordshire. The council will continue to monitor the situation to consider whether it is beneficial to enter into a pooling arrangement in the future.
- The council must also take account of the estimated surplus/deficit on its business rates income in 2025/26. This compares the level of business rates expected to be collected in 2025/26 with the estimate it made when setting the budget for 2025/26.
- Section 31 Grants are paid to compensate the council for government changes to the business rates policy which has resulted in the council generating lower business rates income than it otherwise would have done, e.g. for the new lower retail, hospitality and leisure business rates multipliers. The value of any compensation will be offset by government clawing back any additional revenue as a result of the new higher value multiplier.

4.2.43. The resources retained by the council from business rates are summarised in Table 4.2.6.

Table 4.2.6: Resources retained from business rates related income

Business Rates Breakdown	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Business Rates Income	(4.489)	(0.890)	(0.949)	1.550	(0.093)
Transfer to Reserves	2.465	(2.465)	0.000	0.000	0.000
Business Rates Collection Fund (Surplus)	(2.859)	2.859	0.000	0.000	0.000
Grand Total	(4.883)	(0.496)	(0.949)	1.550	(0.093)

Movements from 2026/27 onwards are annual incremental changes from the previous year

- 4.2.44. Any variance between the actual business rates income billed and accounted for compared to the NNDR1 estimate at the beginning of the year is managed through the Collection Fund.
- 4.2.45. It is estimated that there will be a Collection Fund surplus on business rates of £2.859m which has been taken account of in setting the business rates income budget which is summarised in Table 4.2.7 below.

Table 4.2.7: Business Rates (Surplus)/Deficit Calculation

Business Rates (Surplus)/Deficit	2026/27 £m
2024/25 deficit	0.114
2025/26 surplus	(2.973)
Business Rates (Surplus)/Deficit	(2.859)

Other Grants

Grants supporting the Net Cost of Services:

- 4.2.46. Revenue Support Grant (RSG): The government has provided additional funding through RSG over the settlement period, to smooth the impact of the business rates reset and phasing in the 2028/29 fair funding shares over the course of the multi-year Settlement. The council expects to receive £14.9m in 2026/27.
- 4.2.47. Transitional Protection: The council is to receive 95% income protection in order to transition to its new fair funding allocations over the 3-year settlement period and expects to receive £2.2m in 2026/27. This makes RSG a total of £17.1m in 2026/27.

Grant Funding within the Net Cost of Services:

- 4.2.48. The council also receives ringfenced grants for specific purposes. These are allocated directly to the Directorates to be spent in line with the grant conditions. A breakdown of all government grant income assumed within the budget is at Appendix 13.

Council Tax

- 4.2.49. The council tax requirement of the council for 2026/27 is £9.917m and the tax base has been set at 60,654.5. A £5 increase to the rate of council tax has been assumed from £158.50 to £163.50. This is the maximum increase the council can propose without the need to hold a referendum.
- 4.2.50. The council has considered the amount of council tax that it anticipates it will collect in 2025/26 compared to the estimate it made when setting the 2025/26 budget. The council expects there to be a surplus to be taken into account of (£0.320m). The total council tax income expected in 2026/27 is summarised in Table 4.2.8 below.

Table 4.2.8: Breakdown of Council Tax Income

	£m
Council Tax (Surplus)/Deficit	(0.320)
Council Tax Requirement	(9.917)
Council Tax Income	(10.237)

- 4.2.52. The budget for 2026/27 therefore is balanced by these sources of funding as demonstrated in Table 4.2.9.

Table 4.2.9: Financing of Net Cost of Services

Full Budget		£m
Net Cost of Services		32.267
Financed by:		
Revenue Support Grant		(17.147)
Council Tax		(10.237)
Business Rates		(4.883)
Balance		0.000

4.3 Capital and Investment Strategy

4.3.1 The Capital and Investment Strategy is included at Appendix 19 and reflects the requirements of the Prudential Code including for the S151 to report explicitly on the deliverability, affordability and risks associated with the Strategy.

4.3.2 The Capital and Investment Strategy aims to set a clear framework for capital decision making alongside the council's Corporate Plan, vision, and priorities. The Capital Strategy is closely aligned with the council's service plans, asset review and regeneration plans. It also includes the council's Minimum Revenue Provision (MRP) Policy at Annex A.

4.3.3 The strategy introduces a Carbon Impact Assessment to ensure environmental considerations are part of early decision-making. All Stage 1 business cases will include a carbon impact score, categorising projects as high, medium, or low carbon impact based on factors such as project type, scale, materials, and energy use. This will help identify opportunities to reduce carbon emissions and will evolve into a monitoring process over time. For details of how the scoring has been developed, please see section A.2.3 of Appendix 19.

4.3.4 Within the Investment strategy, upper limits are set on the loans and share capital with subsidiaries that the council can hold. Since the strategies were scrutinised by the Accounts, Audit & Risk and Budget Planning committees.

Capital Programme

4.3.5 The capital programme sets out a plan for expenditure between 2026/27 and 2030/31. It forms an integral part of the council's core activity and is an important part of the MTFS.

4.3.6 Capital expenditure can be funded from Revenue, Capital Receipts, Capital Grants, Internal or External Borrowing. External Borrowing is used to manage the cashflow requirements of the council and, whilst it is used to finance the capital programme, it is not linked to individual projects. Details of the council's expected borrowing for 2026/27 are included in the Treasury Management suite of strategies which are scrutinised by the Accounts, Audit and Risk Committee (AARC) and included in Appendix 21. These were reviewed in draft form and were recommended to the Executive at the AARC meeting on 14 January 2026.

- 4.3.7 Table 4.3.1 below details the new capital expenditure proposed for 2026/27 (detailed proposals can be found in Appendix 17). Where these result in a revenue cost or saving, these have been adjusted for in the Net Cost of Services. A list of all projects in the full capital programme (£17.898m in 2026/27) is set out in Appendix 18. The financial implications of these are incorporated into the MTFS.

Table 4.3.1 – Capital Bids 2026/27 through to 2030/31 and beyond

Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total Project Cost £m	Grants/ Receipts £m	Debt £m
Neighbourhood Services	11.127	2.650	2.605	2.605	1.539	20.527	(11.045)	9.482
Place and Regeneration	6.686	3.763	0.425	-	-	10.874	(12.014)	(1.140)
Resources	0.085	0.068	-	-	-	0.153	0.000	0.153
Total Capital Programme	17.898	6.481	3.030	2.605	1.539	31.554	(23.059)	8.495

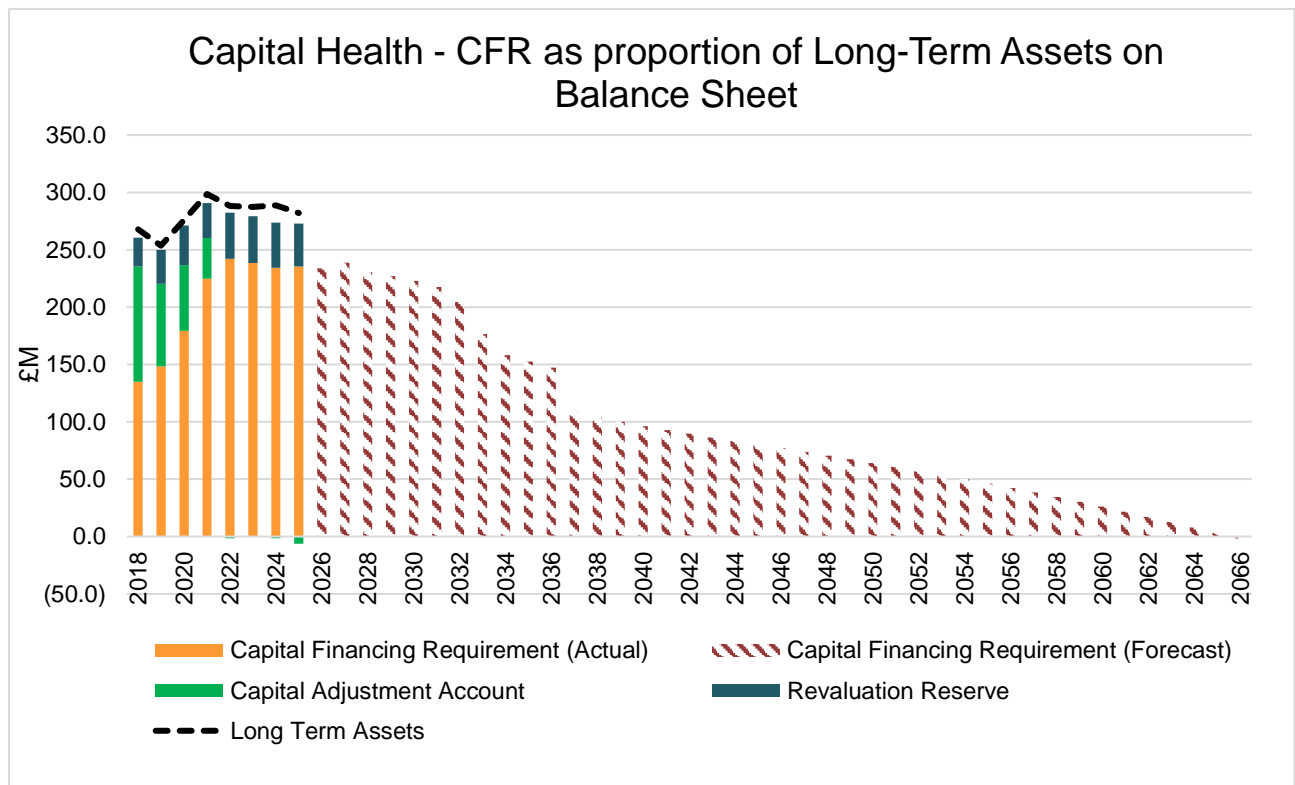
- 4.3.8 Since 2015/16, the council has incurred significant capital expenditure that has been temporarily financed by internal borrowing (cash received in advance of expenditure) and external borrowing (debt). Borrowing is seen as a temporary source of finance. The extent to which the council has needed to borrow is reflected in the Capital Financing Requirement (CFR) which is a direct measure of the amount of capital outlaid but not financed by grants, capital receipts or revenue resources.
- 4.3.9 To get an indication of the council's overall capital health, it is useful to examine the ratio of the CFR to the council's total capital asset value and the extent to which the value of these assets could clear the debt through asset disposals, if this became necessary. It should be noted that under the CIPFA code, assets can be capitalised on balance sheet based on the long-term service potential they provide and not necessarily the economic value they generate on sale, particularly assets held at historical cost e.g. intangible assets. The CFR to Long-Term asset ratio should therefore only be treated as an indicator of capital health. Capital asset values and the CFR are shown in Table 4.3.2

Table 4.3.2 – Capital Health Overall in £ millions

Capital Health (£m)	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25
	£m	£m	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	134.9	148.2	179.2	224.8	242.1	238.6	234.4	235.5
Long-Term Assets (as per statement of accounts)	267.8	253.6	275.8	298.6	288.2	287.3	288.8	282.1
CFR to Long-Term Asset Ratio	50%	58%	65%	75%	84%	83%	81%	84%

- 4.3.10 As of 31st March 2025, the council's CFR amounted to 84 percent of the value of its total capital worth. Figure 4.3.3 shows how this has changed since the council began borrowing to fund its capital programme and a forecast of how the CFR reduces to 2066.
- 4.3.11 It is important to recognise that Local Government capital investments are a long-term commitment and the extent to which future revenue budgets and taxpayers contribute to the financing of the investments depend on the useful lives of the assets invested in.

Figure 4.3.3 – Capital Health



- 4.3.12 The council's capital assets are comprised of fixed assets, such as property, and financial assets, such as loan and share capital. Fixed assets and long-term financial assets are less liquid than treasury management investments, as loans and share capital have contractual arrangements and agreed repayment profiles in place, whilst property is utilised in the delivery of corporate priorities. It is important that the council continues to monitor the repayment profiles of loans and valuation of its property assets to ensure that the council can cover its debt obligations through asset sales if required to do so (e.g., in the unlikely event that PWLB refinancing of loans becomes unavailable).
- 4.3.13 The council primarily holds its capital assets to deliver service objectives, such as economic regeneration and local housing, alongside generating income to support the revenue budget. With national trends in operational and investment property showing a decline in book value, it is important to continue to monitor the CFR to long-term asset ratio to consider appropriate next steps if the council's need to borrow (CFR) exceeds the total value of its capital assets. Table 4.3.2 demonstrates that as at 31st March 2025 the overall value of the council's assets exceeds the capital financing requirement of the council. It is

important to note that changes in asset value do not have an impact on council tax until a gain or loss is realised by selling or decommissioning the asset.

- 4.3.14 Actions the council is taking to reduce the CFR include the setting aside of prudent levels of revenue resources (MRP) to repay existing borrowing and using capital grants and receipts to finance new projects wherever possible, keeping future borrowing requirements to a minimum. Based on current forecasts, the CFR is expected to reduce by 50% by 2037 and be cleared by 2066 assuming no further additions to the programme are made. This is mainly due to the effects of MRP in reducing the council's need to borrow, and principal repayment of capital loans and share capital investments by the council's subsidiary company Graven Hill.
- 4.3.15 Where borrowing for capital has been deemed necessary to deliver against service objectives or, for example to comply with health and safety regulations, financing costs (revenue expenditure) are incurred by the council. These can be medium to long-term in nature, depending on the useful lives of the assets purchased. Projects financed by borrowing incur a Minimum Revenue Provision (MRP) charge to the revenue account which is made in line with the council's MRP policy and with due regard to government guidance. The council also incurs interest on the borrowing it has taken.
- 4.3.16 Prudential Indicators are set each year to evaluate the affordability of the capital programme and assist the council in consideration of whether the levels of debt taken to support its capital ambitions are also prudent and sustainable. More details on this can be found in the council's Capital Strategy and Treasury Management Strategy appended to this budget report.
- 4.3.17 A summary of these indicators is provided in table 4.3.4 below. It is important the council continues to monitor these indicators such that it can identify when its capital plans may become unsustainable, e.g., because of unaffordable rises in the cost of borrowing or a loss of service investment income.

Table 4.3.4 – Prudential Indicators Summary

Prudential Indicator	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Forecast	Forecast	Forecast	Forecast
Capital Financing Requirement	£235.5m	£233.9m	£238.8m	£230.5m	£227.1m
Annual Minimum Revenue Provision	£4.1m	£4.2m	£4.7m	£4.6m	£4.9m
Financing Costs as a proportion of the Net Expenditure Budget (A)	28.3%	29.1%	28.3%	28.6%	29.6%
Service Investment Income as a proportion of the Net Revenue Stream (B)	31.6%	28.9%	29.3%	29.4%	28.8%
Affordability Ratio (A-B)	-3.3%	0.2%	-1.0%	-0.7%	0.8%

- 4.3.18 The final ratio, the Affordability Ratio, indicates the extent that the taxpayer will be impacted by the revenue cost of capital as a proportion of the council's core funding. While the financing costs are significant, the council generates income within its services to support them. Budgeted interest and MRP represents 28.3 percent of the £32.3m net council Funding for 2026/27. When the council's total budgeted income, i.e., income generated from service activities and income from local taxation (excluding benefits payments) of £63.1m is compared to budgeted Interest Payable and MRP on borrowing for capital purposes of £9.1m, the result is 14 percent. This demonstrates that the funding of interest payable and MRP is also met by the income from services and not entirely from Council Tax.

4.4 Reserves

- 4.4.1 Reserves are held to ensure the council can manage and mitigate current and future risk and spending plans. The council has carried out a review of its reserves requirements as part of the Budget and Business Planning Process and continues to follow its reserves policy attached at Appendix 14. This has enabled the council to hold larger, more strategic reserves, rather than smaller earmarked reserves and allows the council to use its reserves in a more flexible manner. The council will regularly review its level of reserves to ensure they remain adequate and appropriate and will continue to be monitored throughout 2026/27.
- 4.4.2 Table 4.4.1 below shows a summary of the forecast reserves position for 2026/27 to 2030/31. The final outturn position for 2025/26 will be reported to the Executive in June 2026 and the Accounts, Audit and Risk Committee in July 2026, as part of the council's Statement of Accounts. Appendix 16 provides a breakdown of the proposed use of reserves for 2026/27 and an estimate of how reserves are currently expected to be used to 2030/31.

Table 4.4.1 – Forecast Use of Reserves

Reserve Category	Forecast Balance 1 April 2026 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Expected Balance 1 April 2031 £m
General Balances	(8.021)	0.000	0.000	0.000	0.000	0.000	(8.021)
Earmarked Reserves	(34.985)	(3.835)	(1.787)	(2.030)	(1.382)	(2.036)	(46.056)
Revenue Grants	(1.352)	0.333	0.041	0.027	0.017	0.007	(0.928)
Sub-total Revenue Reserves	(44.357)	(3.502)	(1.746)	(2.003)	(1.365)	(2.029)	(55.004)
Capital Reserves	(4.929)	3.416	0.061	0.061	0.000	0.000	(1.391)
Total Reserves	(49.286)	(0.086)	(1.685)	(1.943)	(1.365)	(2.029)	(56.395)

- 4.4.3 A risk assessment has been carried out on the level of general balances that the council holds which is detailed in Appendix 15. This sets out that the council should hold general balances of at least £8.021m.

- 4.4.4 It is the duty of the Section 151 Officer to ensure that the council retains reserves at a level which provides the council with financial resilience both in setting the budget for 2026/27 but also looking into the medium term and the MTFS. Reserves can be used for one-off expenditure but should not be used to finance ongoing council activities.

4.5 Pension Fund

- 4.5.1 The Council has taken advantage of making advance payments to the Oxfordshire Pension Fund over the last three years concluding in 2025/26 and the Pension Fund's Actuary, Hymans Robertson, has provided the council with the opportunity to continue this arrangement for a further three-year period of advance payments for 2026/27, 2027/28 and 2028/29, reducing the overall cost of the pension fund contributions to the council.
- 4.5.2 As the fund was in a (more than) fully funded position at the last valuation, officers have negotiated a 3 percent drop in contribution rates for 2026/27 from 28.4 percent to 25.4 percent with further single percentage drops to 24.4 percent in 2027/28 and 23.4 percent in 2028/29. These are the required contribution rates indicated by the most recent fund projections.
- 4.5.3 A lump sum upfront payment of £5.028m would allow the council to retain its Employer's Contribution rate at 15.9 percent, rather than it increasing by 9.5 percent to 25.4 percent in 2026/27 (8.5 percent in 2027/28 and 7.5% in 2028/29). The actuary's forecasts, based on the current pensionable payroll, could result in £0.428m savings across the three-year period. The MTFS assumed future lump sum prepayments; therefore, a provision is already available to finance the lump sum over three years.
- 4.5.4 This is an attractive reduction in the overall cost and gives the council some cost certainty over the three-year period. The actual savings achieved will depend on the performance of the Fund over the period and the degree to which the council's pensionable pay differs to the assumptions made by the actuaries

4.6 Medium Term Financial Strategy

Funding Reforms

- 4.6.1. The Government has implemented significant funding reforms including a review of needs-based distribution of resources and a reset of the retention of growth in business rates income. Following a protracted review of each over the past six years or more, this is the first time that changes of this scale have been implemented in over a decade.
- 4.6.2. The council had previously identified that these changes were likely as part of Medium-Term Financial Strategies published over the past five years. If these changes were implemented without any transitional protection, then the council would be faced with significant financial challenges – the 2025/26 MTFS indicated that annual ongoing savings of over £16m could be required by 2029/30.

- 4.6.3. In recognising these financial challenges, as well as preparing for how the council could implement these changes, it also made its case to Government that funding changes of this scale would be difficult to implement and offered alternative approaches for how the changes the Government was looking to implement could be delivered. In the end, following a consultation of the proposed funding changes, the Government has capped the amount of reduction in resource that can be received and also included additional funding in the baseline position, improving the council's resource position.

Chart 4.6.1 – Government Estimate of Cherwell District Council Core Spending Power Changes

CORE SPENDING POWER					
Please select authority					
Cherwell					
Illustrative Core Spending Power of Local Government:					
	2024-25	2025-26	2026-27	2027-28	2028-29
	£ millions	£ millions	£ millions	£ millions	£ millions
Fair Funding Allocation¹	0.0	0.0	19.403	14.683	9.821
of which: Baseline Funding Level	0.0	0.0	4.489	4.592	4.685
of which: Revenue Support Grant ²	0.0	0.0	14.914	10.091	5.137
of which: Local Authority Better Care Grant ³	0.0	0.0	0.000	-	-
Legacy Funding Assessment	23.8	23.2	0.000	0.000	0.000
of which: Legacy Business Rates ⁴	18.5	18.3	0.000	0.000	0.000
of which: Legacy Grant Funding ⁵	5.3	5.0	0.000	0.000	0.000
of which: Local Authority Better Care Grant	0.0	0.0	0.000	0.000	0.000
Council tax requirement^{6,7}	9.1	9.5	9.967	10.463	10.976
Homelessness, Rough Sleeping and Domestic Abuse^{8,9}	0.5	0.6	1.280	1.323	1.361
Families First Partnership¹⁰	0.0	0.0	0.000	0.000	0.000
Total Transitional Protections¹¹	0.0	0.0	2.233	6.458	10.806
of which: 95% income protection	0.0	0.0	2.233	6.458	10.806
of which: 100% income protection	0.0	0.0	0.000	0.000	0.000
of which: Fire and Rescue Real-terms floor	0.0	0.0	0.000	0.000	0.000
Grants rolled in to Revenue Support Grant¹²	0.4	0.5	0.000	0.000	0.000
Recovery Grant	0.0	0.0	0.000	0.000	0.000
Recovery Grant Guarantee¹³	0.0	0.0	0.000	0.000	0.000
Mayoral Capacity Fund	0.0	0.0	0.000	0.000	0.000
Core Spending Power	33.7	33.8	32.884	32.9	33.0
Core Spending Power year-on-year change (£ millions)		0.1	-0.9	0.0	0.0
Core Spending Power year-on-year change (%)		0.3%	-2.8%	0.1%	0.1%
Core Spending Power change since 2024 (£ millions)		0.1	-0.9	-0.8	-0.8
Core Spending Power change since 2024 (%)		0.3%	-2.6%	-2.4%	-2.3%
Core Spending Power change since 2025 (%)			-2.8%	-2.7%	-2.6%

- 4.6.4. The Government's assessment of Cherwell's core spending power sees a reduction of £0.9m and not further reductions in cash terms for the rest of the spending review period. It should be noted that the Government's assumption is for reductions in grant funding to be offset by increases that the council makes in council tax in 2027/28 and 2028/29. This does however offer the council relative certainty in the level of resources it will receive from Government over the next three years.
- 4.6.5. It should also be noted that in 2028/29 the council will be in receipt of £10.806m transitional protection. This is the last year of the Spending Review Period and there is no certainty of funding thereafter. Given the scale of the transitional protection in 2028/29 it is reasonable to develop scenarios for funding levels in

the last two years of the MTFS period. The scenarios that have been prepared are:

- Scenario 1 – 95% cash floor in resources in 2029/30 and no further reductions in overall resources. This is the approach currently applied to the council and the Government adopted to avoid “cliff edges” in funding.
- Scenario 2 – A phased reduction of transitional protection payments and business rates growth over three years. This is the approach the Government has adopted for authorities that are not in receipt of significant funding changes in 2026/27.
- Scenario 3 – a reduction of the transitional protection payments and business rates growth in 1 year. This is a potential scenario but will result in a significant cliff edge in 2029/30.

4.6.6. The council considers that Scenario 1 should be the main planning assumption at this stage for the following reasons:

- This is the approach that the Government has taken in 2026/27 to ensure that funding changes are proportionate and deliverable.
- In the Ministerial Statement that accompanied the Provisional Financial Settlement, Alison McGovern stated, “We know that councils are concerned about what will happen at the next spending review, so we will keep working closely with them to avoid cliff edges in funding.” Which gives a clear steer that further transitional protections are likely to be put in place in the next Spending Review period.

MTFS Funding Gap

4.6.7. The MTFS, as presented in Table 4.6.2 below, represents scenario 1 where there is a continuation of transitional arrangements in year four of the MTFS period, applied in the same way as they have been in 2026/27 with a 95% funding floor applied. Planning on this basis is both prudent and sensible, avoiding being overly pessimistic based on past experience. However, developing alternative scenarios ensures that the council is aware of potential funding scenarios and can plan to respond to any changes in Government approach identified and remain financially sustainable.

4.6.8. The council has always taken an active role in funding reviews and will continue to do so both on an individual council basis but also through our professional bodies and professional peer groups including the District Council Network (DCN), the Local Government Association (LGA) and SDCT (Society of District Council Treasurers). The council will ensure that it maintains a dialogue with the Government on how transition will be applied in 2029/30.

4.6.9. It is important to note that 2026/27 reflects a balanced budget but it should be acknowledged that there are both planned contributions to and uses of one-off funds from some earmarked reserves. The net movement to reserves in 2026/27 is shown above in Table 4.4.1 (net £2.2m to revenue reserves and £0.72m use of capital reserves). A full schedule of the use of reserves can be found in Appendix 16. Following the announcement of the multi-year settlement the council has been able to plan for a significantly improved medium term financial position.

- 4.6.10. The first 3 years of the MTFS are forecast to be balanced based on current estimates, including growth in business rates and council tax. Across 2029/30 and 2030/31 there is a small ongoing gap to identify ongoing annual savings of £0.690m in total. However, if growth in the council's taxbase for both business rates and council tax does not continue at the rates forecast then the gap in the MTFS is likely to grow. The Expenditure side of the MTFS has made an allowance for contract and pay inflation. Allowances have also been made for demographic growth where services have identified a material change in demand in future years. Table 4.6.2 below sets out the council's future funding estimates for the main planning assumption of scenario 1. Table 4.6.3 identifies the potential funding implications of scenarios 2 and 3 on the MTFS gap.
- 4.6.11. Table 4.6.2 below also does not attempt to forecast the outcome of any future spending reviews for local government as these will be based on political priorities at the time. The council, along with our peers across all tiers of local government, will need to provide evidence and arguments about the totality of funding for the council services.

Table 4.6.2: MTFS 2026/27 – 2030/31 (year on year change)

MTFS Movements	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m
Base budget b/f	26.194	0.000	0.000	0.000	0.000	26.194
Investments	1.909	(0.216)	(0.071)	0.013	0.012	1.647
Efficiencies & Income	(2.248)	(1.000)	(0.638)	(0.161)	(0.050)	(4.097)
Capital Impact	0.624	0.345	0.156	0.263	0.017	1.405
Corporate changes	1.921	(0.312)	0.165	0.308	0.445	2.527
Inflation	0.813	0.835	0.800	0.800	0.000	3.248
Use of reserves	(1.024)	(0.298)	(0.013)	0.000	0.000	(1.335)
Transfer from Reserves	0.664	0.481	0.013	0.000	0.000	1.158
Transfer to Reserves	0.591	0.180	0.228	(0.648)	0.648	0.999
Additional government grants	2.823	(0.043)	0.177	0.000	0.000	2.957
Net Budget Requirement	32.267	(0.028)	0.817	0.575	1.072	34.703
Revenue Support Grant	(17.147)	0.598	0.606	(1.109)	(0.165)	(17.217)
Council Tax	(10.237)	(0.074)	(0.474)	(0.545)	(0.595)	(11.925)
Business Rates	(4.883)	(0.496)	(0.949)	1.550	(0.093)	(4.871)
Total Income	(32.267)	0.028	(0.817)	(0.104)	(0.853)	(34.013)
Funding Gap / (Surplus)	0.000	0.000	0.000	0.471	0.219	0.690

Table 4.6.3: Bottom Line Impact of Alternative Funding Scenarios

MTFS	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m
Scenario 2	0.000	0.000	0.000	4.102	4.102	8.204
Scenario 3	0.000	0.000	0.000	12.306	0.000	12.306

How the MTFS gap is planned to be addressed

- 4.6.12. The council has developed a strategy to both address the gap in 2029/30 and 2030/21 and look to generate additional headroom in the budget to further target resources towards the delivery of member priorities e.g. following the outputs identified from the Strategic Development Fund, and also to ensure that the council continues to deliver Best Value and continuous improvement. Approaches the council will adopt to identify savings will include:

Cherwell Futures

- 4.6.13. In order to support the council in delivering continuous improvement the council is continuing its transformation programme with Cherwell Futures. The focus of the Cherwell Futures programme is:
- Customer Engagement (Single Front Door): Streamlining and digitising access to council services to improve customer experience and drive efficiency
 - Planning Service Transformation & Improvement: Addressing root causes of inefficiency in planning, including process redesign, culture change, and system integration
 - Environmental Services Operational Improvement Programme: Tackling operational pressures and delivering savings through service redesign, digital integration, and performance management
- 4.6.14. Work has been ongoing and business cases for each of these projects are in development. An earmarked reserve of £1.1m has been set aside in relation to Cherwell Futures. Following approval of business cases for each project, resource will be allocated in order to deliver the projects and release transformational efficiencies across the organisation.
- 4.6.15. Provisionally, £3-4m of annual ongoing savings are anticipated from the current Cherwell Futures programme. Until the formal business cases have been approved, none of these savings are assumed within the current MTFS. It is anticipated that net savings delivered will be made available as follows:
- To address future years budget gaps
 - Retain 50% of the remaining benefit to reinvest in future transformational projects (subject to business case development)
 - Allocate the other 50% of the benefit to further the delivery of the council's priorities.
- 4.6.16. The council will continue to look for significant transformation opportunities across its services whilst also looking for more modest savings opportunities that can be implemented in the short term. As and when the significant savings opportunities are fully worked up they will be brought into the MTFS.

Prioritisation and Service Levels

- 4.6.17. As part of the 2026/27 budget and business planning process, the council has reviewed its services to consider what levels of service could be provided in the future from statutory minimum through to current levels of service. Each of these service levels was also costed. Each level of service can be scored to consider what level of contribution can be made towards the council's priorities.

- 4.6.18. This process allows the council to consider what level of service can be provided at different costs whilst maximising delivery of the council's priorities. The council will be able to review this work to consider whether changes in service level would allow the opportunity to redirect resources to further enhance the delivery of the council's priorities.
- 4.6.19. Similarly in setting the 2026/27 budget, all capital schemes have been mapped to the priority that they link most closely to. The Annual Planning Process, overseeing the budget process and business planning process for 2027/28 – 2031/32 will then be developed to maximise the ability to deliver the priorities of the council within the level of resources available to it.

Savings Targets

- 4.6.20. Whilst the council will look to deliver savings through Cherwell Futures, efficiencies and prioritisation wherever possible, the council should retain the option of issuing savings targets. If necessary, then services may be issued with a target level of savings to deliver from their budget which they have control over. So, for example where there are budgets which hold corporate costs in a service area, a savings target should not be applied to this.

Financial Resilience Assessment

- 4.6.21. CIPFA's Financial Resilience Index is designed to support and improve discussions surrounding local authority financial resilience. It shows a council's performance against a range of measures associated with financial risk, including the level of earmarked reserves and general balances. The Index is a comparative tool to be used to support good financial management and generate a common understanding of the financial position within authorities.
- 4.6.22. The index considers both the value of general balances and earmarked reserves compared to councils' net revenue budget. While earmarked reserves are held for specific purposes, they can be called upon to meet unexpected costs or provide short term funding to enable long term recovery plans to be put in place.
- 4.6.23. The publication of the Financial Resilience Index based on 2024/25 outturn data was shared with Chief Finance Officers in December 2025. This will be considered as part of the Chief Financial Officer's Section 25 statement for Council on the adequacy of the proposed financial reserves and the robustness of the estimates for the purposes of the council tax calculations.

4.7 Climate Action

Climate Action Plan 2026 – 2027

- 4.7.1. In 2020, the Council produced its Climate Framework, in which it pledged to become carbon net zero by 2030 and to support the wider district to reduce its emissions. An Action Plan to support these targets has been produced, setting out over 120 actions required to deliver this ambition.
- 4.7.2. Looking ahead to 2026–2027, a new Climate Action Plan (CAP) is in development and will be ready at the start of quarter 1 2026-2027 that will

incorporate the findings from multiple technical studies, including net zero pathways for the Council's operational emissions, fleet, Scope 3 categories, and district-wide emissions. The updated CAP 2026–27 will embed actions relating to energy planning through the Cherwell Local Area Energy Plan (LAEP), nature recovery among others. These steps will bring forward a much clearer and more costed set of interventions to move CDC toward the 2030 target.

Critical Evidence Base

- 4.7.3. Reports are currently being produced which will set out the pathway to the Council's 2030 net zero target, indicating the interventions required, approximate costs, and the residual emissions that will require additional investment. These include—
- Net Zero Pathways for organisational emissions, fleet emissions and Scope 3,
 - District-wide and business/industrial emissions pathways,
 - Natural capital and sequestration studies, and
 - The forthcoming Cherwell Solar Strategy providing clear generation trajectories.
- 4.7.4. Once these reports conclude in early 2026, further decisions will be required that could influence the Council's MTFS position. The 2026–2027 period is likely to see several new proposals for consideration arising from this evidence base, including:
- Implementation of prioritised decarbonisation measures
 - Commencement of interventions identified in the LAEP
 - Development of a pipeline of costed carbon-reduction projects
 - Strengthened monitoring of residual emissions
- 4.7.5. These proposals collectively may require new capital investment or reprioritisation of existing budgets to achieve Council's Net Zero by 2030 target and support the district transition if progressed.

Public Sector Decarbonisation Scheme (PSDS4)

- 4.7.6. Cherwell District Council secured over £1 million through the Government's Public Sector Decarbonisation Scheme (PSDS4) to deliver energy-efficiency upgrades across high-consumption buildings, primarily the leisure estate. The Council applied to accelerate the replacement of ageing, fossil-fuel-based systems with modern, low-carbon technologies, targeting the largest sources of organisational emissions.
- 4.7.7. PSDS4 is a key intervention: leisure centres remain the biggest contributors to CDC's carbon footprint, and recent increases in electricity and gas use highlight the need for targeted decarbonisation. The funded works will improve building performance, reduce gas dependency, and address underperformance of earlier installations.
- 4.7.8. The programme forms a significant part of the 2026–2027 climate delivery plan, helping reduce operational emissions, improve asset resilience, and lower long-term exposure to energy-price volatility.

Key Workstreams In 2026-2027

- 4.7.9. Officers are currently supporting a range of workstreams that will help reduce the Council's emissions. This includes participation in local energy grid planning, delivery of EV charging infrastructure, retrofit programmes, business decarbonisation support, and enabling nature-based sequestration.
- 4.7.10. During 2026–2027, these workstreams will progress into delivery phases, including:
- **Local Area Energy Plan (LAEP) – Phase 2 delivery:** Completion of the Cherwell LAEP, development of implementation pathways, and structured engagement with SSEN and NESO to align local growth, electrification and grid reinforcement needs.
 - **Fleet decarbonisation:** Completion of the HVO supply tender and full rollout of HVO fuel across CDC's fleet, reducing fleet emissions by ~80%. Work will also begin on the next phase of fleet replacement and electrification planning.
 - **EV infrastructure deployment:** Progression of the OxLEVI contract, site surveys, and installation of a minimum of 136 lower-power and 10 higher-power chargers across 19 CDC car parks, with installations continuing through to 2027.
 - **Resource and waste improvements:** From January 2026, inclusion of glass in the blue-bin service will increase recycling rates and remove one HGV route, delivering carbon savings.
 - **Retrofit and business support:** Ongoing delivery of schemes to support households to improve energy efficiency and SMEs to decarbonise operations, informed by district-wide and business/industrial net zero pathway reports.
 - **Nature recovery and sequestration:** Continued development of habitat banks (Ells Farm, Otmoor) and expansion of nature-based investment opportunities, aligned with the Local Nature Recovery Strategy and carbon sequestration forecasts.
 - **Embedding climate in governance:** Full rollout of the Carbon Impact Assessment Tool in Gate 1 capital reporting to ensure new projects consider emissions impacts from Inception.
- 4.7.11. Collectively, these initiatives strengthen the Council's decarbonisation pathway, build capacity for delivery, and position CDC to respond to the infrastructure, funding and organisational changes required to progress meeting the 2030 target.

5. Alternative Options and Reasons for Rejection

- 5.1 It is a legal requirement to set a balanced budget and the recommendations as outlined set out a way to achieve this. The following alternative option has been identified and rejected for the reasons set out below.

Option 1: To reject the current proposals and make alternative recommendations. Members will not be aware of the medium-term financial forecast or implications of alternatives if they choose to take this option.

6 Conclusion and Reasons for Recommendations

- 6.1 This report provides information around the various building blocks that make up the proposed budget for 2026/27 and beyond, allowing members to consider and scrutinise the elements of the budget and provide advice and guidance to council to help further shape both budget setting for 2026/27 and the MTFS up to 2030/31.

Decision Information

Key Decision	Yes
Subject to Call in	Yes
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Corporate Plan Vision and Strategy
Appendix 2	Annual Delivery Plan 2026/27 Priority Areas
Appendix 3	Not used
Appendix 4	Service Efficiencies & Income Proposals
Appendix 5	Service Investments Proposals
Appendix 6	Budget Summary
Appendix 7	Fees and Charges Schedule
Appendix 8	Overarching Equality Impact Assessment
Appendix 9	Pay Policy Statement
Appendix 10	Consultation Report
Appendix 11	Gross Service Budget, Income, Net Budget and Future Years MTFS Changes by Directorate
Appendix 12	Budget Book
Appendix 13	Government Grants
Appendix 14	Reserves Policy
Appendix 15	Reserves Assessment
Appendix 16	Forecast Use of Reserves
Appendix 17	Capital Bids
Appendix 18	Capital Programme

Appendix 19	Capital and Investment Strategy
Appendix 20	Decisions 09122025 1830 Budget Planning Committee (feedback to Executive)
Appendix 21	Treasury Management Strategy
Appendix 22	Guidance on the implementation of the council tax premiums on long-term empty homes and second homes – GOV.UK
Background Papers	None
Reference Papers	N/A
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