This report is public	
Budget Process 2027/28	
Committee	Executive
Date of Committee	7 September 2026
Portfolio Holder presenting the report	Portfolio Holder for Finance, Councillor David Hingley
Date Portfolio Holder agreed report	6 August 2026
Report of	Assistant Director Finance (S151 Officer), Michael Furness

Purpose of report

To inform the Executive of the proposed approach to the 2027/28 Budget Process and provides context and background information on the existing Medium-Term Financial Strategy (MTFS) and information on latest government announcements relevant to the Strategy.

1.0 Recommendations

The Executive resolves:

1.1 To approve the Budget Process for 2027/28.

1.2 To approve the base assumptions to be used for the 2027/28 budget as set out at paragraph 4.2.

1.3 To approve a five-year period for the Medium-Term Financial Strategy to 2031/32 and five-year period for the Capital Programme to 2031/32.

2.0 Executive Summary

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 2027/28; a medium-term financial strategy to 2031/32, the capital programme to 2031/32 and a Corporate Plan in February 2027.

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 2030/31, agreed by Council in February 2026, identified required savings of £2.335m to be delivered in 2027/28. 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 2027/28, are set out in the report.

2.6 In 2026/27, the Government 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. The council had previously identified that these changes were likely as part of Medium-Term Financial Strategies published over the past five years. 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 capped the amount of reductions in resource that can be received and also included additional funding in the baseline position, improving the council’s resource position.

2.7 Our funding advisors, PIXEL Financial Management, report that Local Authorities can be confident that the core funding settlement for 2027/28 to 2028/29 will remain unchanged. Variations in the short term are going to be around local taxation (Band D, taxbase, retained business rates). Uplifts in specific grant funding are possible but hard to predict. The next funding review is expected to be in 2029/30 and is expected to be largely confined to updating data alongside a business rates baseline reset. The major uncertainty is likely to be how transitional support is handled, with many authorities currently sitting on a cliff-edge at the end of 2029/30.

2.8 The government announced in July the outcome of its Local Government Reorganisation consultation. The new Unitary Authority (UA) will come into existence 1 April 2028, year 2 of the proposed MTFS period. Despite this, the council is committed to preparing its financial plan across its MTFS in order to ensure the new UA has the most accurate financial information available to it when planning its future spending plans.

Implications & Impact Assessments

Implications	Commentary			
Finance	There are no immediate financial implications associated with agreeing a budget process. Joanne Kaye, Head of Finance, 5 August 2026			
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. Shiraz Sheikh, Assistant Director Law & Governance and Monitoring Officer, 6 August 2026			
Risk Management	The Council faces significant risks given the scale of the financial challenge for 2027/28 and beyond. 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. Kaimi Ithia, Head of Chief Executive's Office, 6 August 2026			
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 equality's framework, all proposals are developed in line with the Equality Act 2010. Kaimi Ithia, Head of Chief Executive's Office, 6 August 2026
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 the climate and environmental impacts on a case-by-case basis. Michael Suddens, Head of Biodiversity and Climate Resilience, 6 August 2026
ICT & Digital Impact				Not applicable
Data Impact				Not applicable
Procurement & subsidy				Not applicable
Council Priorities	All			
Consultation & Engagement	See section 4.10 – 4.14			

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 2026 is based, information arising from government and other announcements plus new and emerging financial issues for 2027/28 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 2026/27 – 2030/31
- Appendix 2: Previously agreed Service Investments 2026/27 – 2030/31
- Appendix 3: Budget Planning timetable for 2027/28

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 to ensure that the new UA is in as strong a financial position as Cherwell can contribute. Therefore, the period will be extended by one year to cover 2031/32. It is also proposed that the Capital Programme also cover the same five-year period to 2031/32 as the MTFS.

Assumptions in the approved Feb 2026 Medium-Term Financial Strategy

Additional Spending & Savings

3.4 The 2026/27 – 2030/31 MTFS agreed by Council in February 2026 identified the requirement for annual savings of £2.335m in 2027/28 to offset funding reductions and to meet additional expenditure needs – this includes £1.000m savings already planned for 2027/28. Delivery of savings identified in February 2026 for implementation in 2026/27 of £2.290m are being monitored through the monthly reporting to Executive throughout the financial year. To the extent that savings anticipated in 2026/27 are not delivered on an ongoing basis this will increase the level of savings required in 2027/28. The Council is working to minimise any ongoing savings non-delivery in 2026/27.

3.5 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 in all years of the MTFS (where the fee is set by the council) to reflect cost recovery.

3.6 Details of the savings and service investments assumed in the existing MTFS, approved by Council in February 2026, for 2026/27 to 2030/31 are set out in Appendices 1 and 2.

Funding

3.7 The MTFS for 2026/27 approved by Council in February 2026, is set out in Table 1 below. This represents the scenario 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 to avoid "cliff edges" in funding. Planning on this basis is both prudent and sensible, avoiding being overly pessimistic based on past experience.

3.8 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.

3.9 The MTFS has been forecast across the period based on current estimates, including growth in business rates and council tax. 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.

3.9 The existing MTFS approved in February 2026 indicates that Cherwell will have a gap between its net budget requirement and its funding of £2.335m in 2027/28. Details of the MTFS approved in February 2026 are set out in Table 1 below.

Table 1: MTFS as approved February 2026

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	(2.290)	(1.000)	(0.638)	(0.161)	(0.050)	(4.139)
Capital Impact	0.624	0.345	0.156	0.263	0.017	1.405
Corporate changes	1.963	(0.312)	0.165	0.308	0.445	2.569
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	(14.812)	0.598	0.606	(1.109)	(0.165)	(14.882)
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)
Adjustment Support Grant	(2.335)	2.335	0.000	0.000	0.000	0.000
Total Income	**(32.267)**	**2.363**	**(0.817)**	**(0.104)**	**(0.853)**	**(31.678)**
Funding Gap / (Surplus)	**0.000**	**2.335**	**0.000**	**0.471**	**0.219**	**3.025**

Earmarked Reserves and General Balances

3.10 When the council set its budget in February 2026, earmarked reserves (reserves held for a specific purpose) were forecast to be £36.4m as at the end of 2026/27. The latest forecast estimates that general balances will remain around £8m at the end of 2026/27. 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.

4. Details

Revised assumptions in the updated Medium Term Financial Strategy

4.1 The MTFS approved in February 2026 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.

4.2 The proposed planning assumptions for the updated MTFS period will include provision for inflation on pay, contracts, and fees and charges and council tax. It will assume 3.5 percent pay awards over the MTFS period. Contract inflation will be provided for at 3 percent in all years of the MTFS. Fees and charges will be reviewed and increased by a minimum of 3 percent for in all years of the MTFS (where the fee is set by the council) to reflect cost recovery. Council tax increases will be assumed at the maximum allowable (£5 or 2.99%) without a referendum.

Government Announcements

4.3 Since Council approved the 2026/27 budget, MTFS and Capital Programme, the government announced the decision on the future of local government in Oxfordshire. From 1 April 2028, Cherwell and West Oxfordshire will be combined into a new Unitary Authority (UA). At this point, no assumptions have been built into the MTFS in relation to the transition period before the new UA is 'stood up'. he council has prudently set aside an earmarked reserve to contribute to the costs associated with disaggregating the existing councils and creating the new UA. These funds will be released from Earmarked Reserves to the revenue account in line with the Reserves Policy.

Further Medium-Term Uncertainty

4.4 The next funding review is expected to be in 2029/30 and is expected to be largely confined to updating data alongside a business rates baseline reset (potentially a partial reset). The major uncertainty is likely to be how transitional support is handled, with many authorities currently sitting on a cliff-edge at the end of 2029/30. Our damping assumptions will continue to be updated based on the latest information available.

Savings Proposals and Income Opportunities

4.5 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.

4.6 In line with the MTFS approved in February 2026 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 priorities and alignment of resources to maximise delivery of member priorities within the resources available.
- Maximise income opportunities.
- Continue to lobby policy makers.

4.7 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 2026. 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.

4.8 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

4.9 The strategy for identifying savings will be based on the plan to address the MTFS gap which was approved by Council in February 2026. 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.

Consultation and Engagement

4.10 Residents and service users <u>expect</u> 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.

4.11 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.

4.12 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

4.13 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.

4.14 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

4.15 An online public consultation on CDC's budget proposals will commence when the information is published at the end of November 2026, with Budget Planning Committee (BPC) considering the budget pressures, savings and Fees & Charges proposals on 8 December 2026. 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.

4.16 Capital proposals will also be considered by Budget Planning Committee (BPC) on 8 December 2026. The Capital & Investment Strategy which incorporates the Treasury Management Strategy will be considered at the meeting in January 2027.

4.17 At this time, there are no firm dates when we can expect the provisional local government finance settlement, though it is anticipated in December 2026. This will confirm the general Government funding available to the Council for 2027/28 – 2028/29 and the Council Tax referendum limit to be applied.

4.18 The Executive will take into consideration the comments from the BPC in December 2026 and comments from the public consultation alongside the funding available announced as part of the provisional settlement, at its meeting on 1 February 2027 in setting out its proposed budget to Council.

4.19 The Council meeting to agree the 2027/28 revenue budget, MTFS and capital programme will take place on 22 February 2027.

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

5.0 Alternative Options and Reasons for Rejection

5.1 There are no alternative options to consider. The process laid out in this report will allow CDC to develop budget proposals to meet its legal obligations.

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	N/A
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 2026/27 – 2030/31

Appendix 2	Previously agreed Service Investments 2026/27 – 2030/31
Appendix 3	Budget Timetable for the 2027/28 Process
Background Papers	None
Reference Papers	Council 23 February 2026: Budget Setting for 2026/27 and the Medium-Term Financial Strategy up to 2030/31
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Executive Director Approval (unless Executive Director or Statutory Officer report)	Report of Statutory Officer – S151 Officer