

Division(s): N/A

## **CABINET – 18 November 2025**

### **Budget & Business Planning Report 2026/27 – 2030/31**

**Report by the Executive Director of Resources and Section 151 Officer**

#### **RECOMMENDATION**

1. **The Cabinet is RECOMMENDED to:**
  - a) **Note the report and the starting point for the 2026/27 budget;**
  - b) **Approve a five-year period for the medium-term financial strategy to 2030/31 and ten-year period for the capital programme to 2035/36; and;**
  - c) **Note the budget and business planning process timeline and next steps, including the late announcement of the outcome of the Fair Funding Review 2.0 consultation and the potential impact on funding over the medium term;**
  - d) **Note the requirement for the council to set a sustainable balanced budget for 2026/27 which shows how income will equal spending plans.**

#### **Executive summary**

2. Oxfordshire County Council provides 85 per cent of local government services in Oxfordshire based on expenditure, including adult and children's social care, some education services, fire and rescue, libraries and museums, public health, roads, trading standards, waste disposal and recycling.
3. On 4 November 2025, Council approved and adopted the Strategic Plan 2025-2028. This builds on the 2022-2025 plan and retains the overarching vision of a greener, fairer and healthier Oxfordshire. This is centred around strong and connected communities, healthy places to live, and a thriving local economy that benefits everyone. The plan covers the period from November 2025 up to when the Council will cease to exist and the new unitary authority or authorities in Oxfordshire will formally begin operating. Objectives are provided under each of the three themes and there are nine headline projects that will be delivered by 2027. The Council's purpose and approach to improving the lives of residents across the three priority objectives is set out in the strategic plan and will be considered through the budget process.
4. The purpose of the budget and medium term financial strategy is to explain how the Council will use its funding and resources to deliver its priority objectives and core services.
5. The period covered in this report represents a challenging time for local authority finances, with significant uncertainty in the financial planning process

ahead of the outcome of the Fair Funding Reform 2.0 consultation, pressures in relation to both cost increases in the short term and ongoing forecast increases in demand for key services and Local Government Reorganisation in Oxfordshire. Nationally public finances are expected to be extremely challenging over the medium term. In this context it is even more important that the Council continues to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that it delivers high quality services to residents.

## **Developing the Budget and Medium Term Financial Strategy**

6. The approach to setting the 2026/27 Budget and Medium Term Financial Strategy (MTFS) to 2030/31 needs to ensure that revenue budgets, and capital investment are aligned to service plans and the strategic priorities.
7. The Council's financial position is anticipated to remain challenging over the medium term as a result of funding reform and there is an expectation that there will be a need to reduce costs and take difficult decisions to ensure ongoing financial resilience. To align expenditure plans with the anticipated funding, draft financial plans are reviewed and updated each year through the budget & business planning process.
8. Financial sustainability and resilience require successful and sustained focus on delivery of four critical elements and financial planning principles for the revenue budget and medium-term financial strategy:
  - Delivering the Strategic Plan priorities and investments.
  - Transforming the council to become employer, partner and place shaper of choice and delivering planned savings
  - Managing the impact of rising need through demand management.
  - Ensuring the level of earmarked reserves and general balances is adequate based on the level of risk and financial uncertainty and only using one-off resources for temporary purposes.
9. The following proposed components of the council's Medium Term Financial Strategy will be shared with Performance and Corporate Services Overview and Scrutiny Committee on 16 January 2026. Cabinet will then propose their budget to Council on 27 January 2026. This will include:
  - Balanced 2026/27 revenue budget;
  - Indicative 2027/28 to 2030/31 funding and expenditure position and MTFS that will need to be balanced over the medium term;
  - Financial Strategy
  - Capital & Investment Strategy 2025/26 – 2035/36;
  - Earmarked Reserves and General Balances Policy Statement 2026/27;
  - Treasury Management & Investment Strategy for 2026/27.

10. Progress on achieving priorities and investments and savings built into the budget is tracked through the council's outcomes framework with updates shared in the Business Management and Monitoring reports to Cabinet. The framework will be reviewed and updated for 2026/27 as part of the Business and Budget Planning process.
11. Following the County Council elections in May 2025, the Liberal Democrat administration has consulted on a new [Strategic Plan](#). This was subsequently approved and adopted by Council on 4 November 2025 following consideration of the consultation [feedback](#). Feedback that will be used to inform the budget has also been sought as part of a representative residents' survey in summer 2025. The outputs from this survey will be considered by Cabinet and reported to Performance and Corporate Services Overview and Scrutiny Committee to assist decision making on the administration's proposed budget in January 2026.
12. Based on the timetable proposed in this report Council will set a budget for 2026/27, a medium-term financial strategy to 2030/31 and capital programme to 2035/36 on 10 February 2026. Performance progress against the budget for 2026/27 will then be monitored through the Business Management & Monitoring reports to Cabinet.

## **Background**

13. This report provides context and background information as well as updates about the wider economic environment since the 2025/26 budget and Medium Term Financial Strategy was agreed in February 2025. It also provides an update on the potential impact of funding reform from 2026/27. However, the Government's response to the consultation on the Fair Funding Review 2.0 and a Local Government Finance Policy statement, initially expected in early October 2025 have been delayed and are now expected to be published at the end of November 2025 just ahead of the Provisional Local Government Finance Settlement in mid – December. Ahead of this information being available this report sets out broad estimates of the potential impact on the funding available to the council in 2026/27 and the medium term.
14. The Fair Funding Review 2.0 along with a business rates reset will deliver the most significant change in the distribution of funding to local government in over a decade. The consultation did not provide any exemplification to allow local authorities to model the potential impacts of the proposals. To exacerbate the challenge, not only has the outcome been delayed but the Ministry of Housing, Communities and Local Government (MHCLG) also set out that the formula would use updated data from a revision of the Index of Multiple Deprivation (IMD) which was only published at the end of October 2025. Whilst some modelling has been undertaken, this is at a high level and does not reflect any changes as a result of the consultation or the update of the IMD. Given how late in the budget setting process the council will be informed of its funding for 2026/27, and the requirement for a budget to be set by the end of February 2026, this will not allow sufficient time for a proper consideration of policy impacts and to allow a meaningful engagement with

the public if the funding reductions are significantly more than estimated. In this scenario, it will be necessary to take temporary measures to balance the budget for 2026/27, ahead of due and proper consideration.

15. For the purposes of Local Government Reorganisation it is proposed that the MTFs should be extended to five years to 2030/31 to align with the Oxfordshire district councils. The capital programme will be extended by one year to cover the 10 - year period to 2035/36.

16. This report sets out:

- 2026/27 draft revenue budget and previously proposed budget changes as approved by Council in February 2025;
- 2026/27 to 2030/31 Financial strategy and Medium Term financial outlook;
- Update on Dedicated Schools Grant (DSG) and High Needs Deficit
- Approach to updating the ten - year Capital Programme;
- Approach to engagement and consultation; and
- Approach to Climate and Equality Impact Assessments.

17. Annexes are attached as follows:

- Annex 1 Core planning assumptions
- Annex 2 Services and planned budgets for 2026/27 as at February 2025
- Annex 3 General balances and earmarked reserves
- Annex 4 Timeline & key dates

18. Other documents that support this report are:

- [Strategic Plan 2025 - 2028](#);
- [Financial plans | Oxfordshire County Council](#)
- 2025/26 Business Management & Monitoring Report – [Revenue Update and Monitoring Report to August 2025](#)

## **Core budget principles**

19. The MTFs is built on a number of high level principles which are used as a framework to set the budget. These include:

- Developing and continuing to strengthen an integrated approach to financial planning; linking the Strategic Plan and service and transformation plans to the MTFs;
- A balanced revenue budget where the planned use of reserves and balances is sustainable over the medium term;
- Regular review of reserves to ensure appropriate coverage for emerging risk;
- Service Areas deliver services within available resources (pressures are highlighted and mitigating action taken to ensure transparency, ownership and accountability);

- Pay inflation will be held centrally until pay awards are agreed;
- Fees and charges are reviewed annually; and
- There is a culture of budget responsibility where managers are accountable for their budgets; budgets are agreed and acknowledged annually by Accountable Officers.

## Financial Outlook and Context

20. Future funding currently remains unclear and the Council's financial position is likely to be challenging over the medium term. The direct and indirect impacts of the following are significant issues and risks that will need to be managed:

- Uncertainty about the impact of the Fair Funding Review 2.0 which will not be clear until the Provisional Local Government Finance Settlement expected in mid - December 2025.
- Reductions in general funding for local government over the last 14 years, and the increase in the proportion of the council's spend on social care means there is less flexibility to make further savings.
- Pressures in, and sufficiency of market provision for, Children's Social Care.
- On-going uncertainty about arrangements for the management of past and future overspends against funding for High Needs Dedicated Schools Grant where the deficit built up to date is expected to be over £153.1m by the end of 2025/26.
- Increase in the National Living Wage from 1 April 2026. This potentially impacts on costs for contracted spend, such as social care, as well as direct pay costs.

21. **Funding Reform:** In summer 2025 the government proposed changes to the distribution of funding for local government through the Fair Funding Review 2.0 consultation. As explained in the report to [Cabinet on 15 July 2025](#) this included proposed changes to the formulae behind the Settlement Funding Assessment for each council and adjusting for the level of resources available from council tax funding as well as a reset of business rates funding from 2026/27 onwards. The outcome of the consultation has been delayed and is now expected to be set out by the Government alongside a Local Government Finance Policy Statement in late November 2025. The impact on individual councils will not be known until the Provisional Local Government Finance Settlement for 2026/27 is published in mid - December 2025. The estimated impact on the council is a £25m to £50m loss of funding spread across three years, expected to commence from 2026/27. For planning purposes, a reduction of £35m has been assumed.

22. **National Living Wage:** The Low Pay Commission is the independent body which advises the Government on the levels of the National Minimum Wage, including the National Living Wage. On 5 August 2025 the Government

published their remit for the rates of the National Minimum Wage (NMW) and National Living Wage (NLW) that will apply from April 2026. This says:

“The Government is committed to raising the living standards of working people and this is the key focus of the Government’s Growth Mission. That is why the Government asks the Low Pay Commission to ensure that the National Living Wage (NLW) rate does not drop below two-thirds of UK median earnings for workers in the NLW population, a recognised measure of low hourly pay. The Low Pay Commission should take into account the cost of living, inflation forecasts between April 2026 and April 2027, the impact on the labour market, business and competitiveness, and carefully consider wider macroeconomic conditions.”

The Low Pay Commission’s central estimate is that an NLW increase to £12.71 (4.1%) would ensure the NLW does not fall below two-thirds of median earnings. However, they are projecting a range around this central estimate which runs from £12.55 to £12.86. If wage growth outperforms forecasts then the central estimate (and the range around it) may continue to rise over the rest of the year. The actual increase from 1 April 2026 is likely to be announced as part of the Government’s Budget Statement on 26 November 2025.

23. **Council Tax base and collection fund positions:** The council tax base for 2026/27 needs to be shared by the district councils (as billing authorities) by 31 January 2026. Generally this information has been shared in December or early January to enable the combined council tax base and precept to be calculated. Council tax surpluses or deficits need to be estimated and declared by billing authorities by 15 January each year. Information about business rates income and collection fund surpluses or deficits needs to be shared by the districts by the end of January 2026. Where information is not received in time to be incorporated into the budget estimates will be included with an update provided to Cabinet in May 2026.
24. **Service Pressures in 2025/26:** the Business Management and Monitoring Report to Cabinet in October 2025 explained that there is an underlying pressure of £5.2m. in Children’s Services that is being managed through the use of one – off funding in 2025/26. There is also a forecast pressure of £0.4m in Waste Management market pricing due to a change of the tonnage mix plus £1.0m in Network Management from delay in the Department for Transport decision on lane rental. The Legal Service continues to experience issues relating to retention and recruitment and an increase in the volumes of appeals. The issues are expected to cause a £0.6m overspend due to locum cover. An assessment of the on-going impact of these pressures will be considered as part of the budget process.

## **Core budget assumptions**

25. Planning assumptions regarding non - pay, contract and income inflation, pay inflation and contingency are outlined in Annex 1.

## Revenue Plan: Service Budgets

26. The council's revenue budget supports a range of service provision which contributes to the council's vision and priorities. Most of these services continue from one year to the next. Due to the continuity of service provision, the first step in building the budget for 2026/27 will be to roll forward 2025/26 budgets including any permanent changes agreed during 2025/26. This starting point will then be adjusted for previously proposed changes planned for 2026/27 built into the MTFS agreed in February 2025.

27. Further changes needed to reflect new service pressures, investments or savings will be added to this starting point, to achieve the indicative budget for 2026/27. These changes will be set out in the report to Performance and Corporate Services Overview and Scrutiny Committee in January 2026.

28. Annex 2 sets out the previously proposed budget changes for 2026/27 and 2027/28. Indicative service budgets for 2026/27 including previously proposed changes agreed by Council in February 2025 are:

Service	2025/26 Budget Rolled Forwards	Add Previously Proposed Changes in current MTFS	Indicative Budget 2026/27	Change in Budget
	£m	£m	£m	%
Adult Services	260.8	15.1	275.9	5.5%
Children's Services	215.2	3.4	218.6	1.6%
Environment & Highways	55.1	-0.9	54.2	-1.7%
Economy & Place	21.0	-3.4	17.6	-19.3%
Public Health & Communities	13.3	0.8	14.1	5.7%
Oxfordshire Fire & Rescue Service and Community Safety	31.7	0.5	32.2	1.6%
Resources and Law & Governance	64.3	-0.4	63.9	-0.6%
Transformation, Digital & Customer Experience	7.2	0.1	7.3	1.4%
Redesign and commercial savings to be allocated to services	8.2	-3.9	4.3	
Pay inflation to be held centrally		8.4	8.4	
<b>Service total</b>	<b>676.8</b>	<b>19.7</b>	<b>696.5</b>	<b>2.8%</b>

## Financial planning assumptions

## Council Tax and Adult Social Care Precept

29. As part of the Fair Funding Review 2.0 consultation the government confirmed that the general (or core) council tax referendum limit would remain at 3% until 2027/28. In addition, local authorities with adult social care responsibilities can increase council tax by a further 2.0% to fund adult social care through the Adult Social Care Precept.
30. In February 2025, ahead of this clarification, the Council agreed the maximum increase of 4.99% for 2025/26 and assumed an increase of 3.99% for the following two years in the MTFs to 2027/28. On the basis of the confirmed referendum limits, and in light of the expected funding reductions, it is proposed that the maximum council tax increase of 4.99% is assumed for 2026/27 and 2027/28 plus the years beyond in the proposed MTFs.

	2025/26	2026/27	2027/28
Core Council Tax Increase	2.99%	2.99%	2.99%
Adult Social Care Precept	2.00%	2.00%	2.00%
<b>Total Council Tax Increase</b>	<b>4.99%</b>	<b>4.99%</b>	<b>4.99%</b>
<b>Band D Council Tax</b>	<b>£1,911.40</b>	<b>£2,006.78</b>	<b>£2,106.92</b>
Annual Band D Increase	£90.84	£95.38	£100.14
Weekly Band D Increase	£1.75	£1.83	£1.92

31. The council tax base is the number of Band D equivalent dwellings in a local authority area. Growth in the tax base of 1.75% per year is assumed in the MTFs reflecting anticipated increases in the number of households in Oxfordshire paying council tax.
32. A 1% increase in council tax will generate around £5.4m on-going funding for the council's services in 2026/27. A £10.8m increase to budgets for adult social care is needed to align with the funding generated through the precept – this will include previously proposed changes such as demography as well as pay and price inflation and other changes. The growth in the council tax base broadly aligns with the demographic growth in the MTFs but is not directly linked to this as social care expenditure/need, for example, will not correlate with housing growth in the short term.

	2025/26	2026/27	2027/28
Increase in council tax precept at 4.99%	£26.6m	£28.4m	£30.4m
Additional Council Tax funding from 1.75% growth in council tax base	£9.8m	£10.5m	£11.2m
<b>Total Council Tax Funding Increase</b>	<b>£36.4m</b>	<b>£38.9m</b>	<b>£41.6m</b>

33. As well as updating the council tax base, each district will also make assumptions about the anticipated level of council tax to be collected in any given year. Where actual income varies from those assumptions it will create



a one – off surplus or deficit that is then shared with the county council as a precepting authority.

34. The county council's share of surpluses on council tax collection is estimated to be £8.0m in 2026/27 and 2027/28. The actual surplus for 2025/26 notified by the district councils was £9.2m.
35. The budgeted level of surplus for 2026/27 and future years and the management of volatility year to year will need to be considered as part of the Budget & Business Planning Process. As set out in the Reserves and Balances Policy Statement for 2025/26 £4.0m funding held in the Collection Fund Reserve will be used to manage any reductions to the assumed level of funding. Annex 3 outlines the reserves and general balances forecast at 31 August 2025

## Business Rates

36. The Council receives a Settlement Funding Assessment (SFA) from Government which is the share of the local government spending based on the 'need' of a local authority. It comprises Business Rate Top Up Grant, together with the Government's assessment of the level of Business Rates income to be retained by the council. The baseline SFA for 2025/26 is £79.4m. The 2026/27 SFA will be announced as part of the Provisional Local Government Settlement.
37. In addition, local authorities have been able to retain the growth in business rates from the baseline established in 2013/14. This growth is expected to be removed in 2026/27 as a result of the business rates reset that will be implemented alongside funding reform.

## Draft 2026/27 to 2028/29 revenue budget

38. Based on assumptions in February 2025 and as set out in the [Financial Plan for 2025/26](#) there was a shortfall of £2.1m in 2026/27 increasing to £4.9m in 2027/28. The impact of increasing council tax by a further 1% and the estimated potential impact of funding reform in a low, middle and high scenario is shown in the table. There is an estimated best case deficit of £5.0m in 2026/27 rising to £13.4m worst case that will need to be managed as well as any new pressures. Depending on how the funding reforms are phased further reductions are expected in 2027/28 and 2028/29.

	2025/26 Agreed Budget £m	2026/27 Indicative Budget £m	2027/28 Indicative Budget £m
<b>Funding:</b>			
Council Tax Requirement	-533.3	-564.3	-597.1
Council Tax Collection Fund Surplus	-9.2	-8.0	-8.0
Business Rates	-101.9	-103.6	-105.3
Revenue Support Grant	-2.5	-2.5	-2.5
<b>Total Funding</b>	<b>-647.0</b>	<b>-678.4</b>	<b>-712.9</b>
Council Tax increase	4.99%	3.99%	3.99%
<b>Net Operating Budget</b>	<b>647.0</b>	<b>680.5</b>	<b>717.7</b>
<b>Deficit (February 2025 MTFS)</b>	<b>0.0</b>	<b>2.1</b>	<b>4.8</b>
<b>Funding Changes:</b>			
Increase Council Tax to 4.99%		-5.4	-11.5
<b>Surplus Before Funding Reform</b>		<b>-3.3</b>	<b>-6.7</b>
<b>Estimated Deficit after Funding Reform</b>			
£25m reduction spread over 3 years (Best Case)		5.0	9.9
£35m reduction spread over 3 years (Base Case)		8.4	16.6
£50m reduction spread over 3 years (Worst Case)		13.4	26.6

## General balances and earmarked reserves

39. A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in deficit. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report to it on the following matters:

- The robustness of the estimates made for the purposes of the (council tax requirement) calculations
  - The adequacy of the proposed financial reserves
40. The council maintains general balances to provide a contingency against unplanned or unexpected events. As set out in the Earmarked Reserves and General Balances Policy Statement agreed in February 2025, and explained further in Annex 3, the risk assessed level for 2025/26 is £30.2m. This is equivalent to around 5% of the net operating budget and equates to around three weeks net expenditure. A review will be undertaken later in the budget and business planning process to determine the appropriate level of general balances for 2026/27.
41. Most of the funding held in reserves is expected to be used for specific agreed purposes to support revenue expenditure or to fund the capital programme. Further detail, including a breakdown of reserves into grant funding that hasn't yet been spent, funding for corporate priorities and risks, and funding for the capital programme, is provided in Annex 3.

### **Dedicated Schools Grant (DSG) and High Needs Deficit**

42. The Department for Education (DfE) have previously provided information in mid / late July each year on indicative funding levels and funding formula changes for the DSG Schools Block, High Needs Block and Central School Services Block for the following financial year. The funding information for the Early Years Block DSG is usually received in November / December each year from the DfE. The funding information for all blocks for 2026/27, is delayed again this financial year, and is expected to be notified in December 2025.
43. Expenditure continues to outstrip the growth in the grant funding for High Needs DSG and as set out in the Business Management & Monitoring Report to Cabinet in October 2025 the forecast deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £60.6m in 2025/26. This is likely to increase further as the year progresses.
44. In line with a change to the CIPFA code of practice on DSG High Needs deficits an unusable reserve to hold negative High Needs DSG balances was created in 2020/21. The forecast deficit of £60.6m in 2025/26 will increase the total accumulated negative balance for High Needs held in this reserve to £153.1m at 31 March 2026.
45. The regulations which require the negative balance to be held in an unusable reserve were due to come to an end on 1 April 2026. This statutory override has now been extended to the end of 2027/28 and the government is expected to publish arrangements for the management of deficits as part of the Provisional Local Government Finance Settlement for 2026/27. In addition, a White Paper on SEND was originally expected to be published by the government in Spring 2025. In October 2025 this was delayed further to early 2026.

46. DSG deficits cannot currently be met from general council funding without permission from the Secretary of State. However, this deficit, both accumulated to date, and on-going, is a significant financial risk irrespective of the future arrangements for the statutory override. This will need to be taken into account in the Section 25 Statement and the overall financial position for the council and the assessment of the adequacy of reserves and balances for 2026/27.

## **Capital & Investment Strategy**

47. Capital expenditure obtains or improves buildings, vehicles, equipment or other assets owned by the council. The capital programme shows how the Council will use capital expenditure to support the delivery of its priorities. It is split into a firm programme of schemes which have been agreed to progress and a pipeline of future schemes. The firm programme aligns to the funding available and the agreed level of prudential borrowing.
48. The programme is updated quarterly and fully refreshed as part of the Budget and Business Planning Process. This includes a review of all schemes in the pipeline and firm programme, to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and timescale for delivery, and incorporates the current funding position.
49. Council is required to approve the capital and investment strategy annually to demonstrate that capital expenditure and investment decisions are in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The capital and investment strategy incorporates the treasury management strategy and the investment strategy and is supplemented by the property strategy and highways asset management plan.
50. The capital pipeline agreed in February 2025 provides funding for schemes which were agreed to support the council's priorities, have an agreed need, a confirmed alignment with the prioritisation framework and a basic mandate. These schemes are subject to further development ahead of being added to the firm capital programme. There is a further pre-pipeline of schemes that are pending funding becoming available and are at an early stage of development. Updates to the pipeline and pre-pipeline will be considered as part of the business and budget planning process for 2026/27.
51. Proposed changes impacting on 2026/27 and future years will be published on 8 January 2026 as part of the agenda for Performance and Corporate Services Overview and Scrutiny Committee on 16 January 2026.

## **Budget Engagement**

52. Following the County Council elections in May 2025, the Liberal Democrat administration has consulted on a new [Strategic Plan](#). This was subsequently agreed by Cabinet in October 2025 (and by Council on 4 November 2025)

following consideration of the consultation [feedback](#). Feedback that will be used to inform the budget has also been sought as part of engagement opportunities over the summer. This time there was a clear emphasis on supporting the development of the strategic plan and priorities for Local Government Reform and this was considered by nine focus groups and four schools' sounding boards as well as through a representative residents' survey in summer 2025. The outputs from the engagement are being considered by Cabinet and will be reported to Performance and Corporate Services Overview and Scrutiny Committee and Cabinet to assist decision making on the administration's proposed budget in January 2026.

## **Budget and Business Planning Timeline**

53. Following the Provisional Local Government Finance Settlement in December 2025, revenue and capital budget proposals will be published on 8 January 2026, ahead of being considered by the Performance and Corporate Services Overview and Scrutiny Committee on 16 January 2026 (see Annex 4).
54. The district councils are required to provide council tax bases and information about business rates surpluses/deficits by 31 January 2026. Council tax collection surpluses/deficits are required to be provided by 15 January each year. Provisional figures are expected to be shared in December 2025. These will be used to inform the budget proposed by Cabinet in January 2026.
55. The provisional local government finance settlement, which provides information about the general funding available to the council and any changes to the level of council tax that can be agreed is expected to be announced in mid – December 2025. The final settlement is likely to be announced in late January/early February 2026. This will confirm the general funding available to the Council for 2026/27.
56. Cabinet will take into consideration the comments from the Performance and Corporate Services Overview and Scrutiny Committee in January 2026 alongside the funding available announced as part of the provisional local government settlement, in setting out its proposed budget on 27 January 2026. The Capital and Investment Strategy, including the Treasury Management Strategy, and review of charges will be included as part of the proposed budget.
57. The Council meeting to agree the 2026/27 revenue budget, medium term financial plan and capital programme will take place on 10 February 2026. The council is legally required to share the county council precept with the district councils by 1 March 2026.

## **Staff implications**

58. There are no staffing implications arising directly from this report. Further information will be shared through the budget and business planning process.

## **Climate implications**

59. Climate Action is a policy priority for Oxfordshire County Council. The council will publish commentary on the potential climate implications of changes to service and capital delivery arising through the budget planning process.

## **Equality and inclusion implications**

60. There are no equality and inclusion implications arising directly from this report. A high-level assessment of the broad impact of the revenue budget proposals will be included as part of the published information in January 2026. More detailed impact assessments, which will take account of feedback from the public engagement and from scrutiny, will accompany the Cabinet's proposed budget in January 2026.

## **Risk management**

61. Risks and opportunities to the council and levels of reserves and balances will be considered as part of the budget and business planning process.

## **Financial implications**

62. The Council is required by law to set a balanced budget for 2026/27 before 1 March 2026. Alongside this, there is a requirement under Section 25 of the Local Government Finance Act 2003 for the Chief Finance Officer to prepare a statement on the robustness of the budget estimates and the adequacy of reserves. This report is the first stage in the process to achieve these objectives.

Comments checked by:

Kathy Wilcox, Head of Corporate Finance

## **Legal implications**

63. The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which, when taken together with the future reports up to January 2026, will lead to the council tax requirement being agreed in February 2026, together with a budget for 2026/27, five-year medium term financial strategy and ten - year capital programme.
64. The Council has a fiduciary duty to Council Tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the Council Tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in

good faith in relation to compliance with statutory duties and exercising statutory powers.

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November 2025

Background:

- [Strategic Plan 2025 - 2028](#);
- [Financial plans | Oxfordshire County Council](#)
- 2025/26 Business Management & Monitoring Report – [Revenue Update and Monitoring Report to August 2025](#)

Annexes:

Annex 1 Core budget assumptions

Annex 2 Services and planned budgets for 2026/27

Annex 3 General balances and earmarked reserves - 2025/26 forecast position.

Annex 4 Timeline and Key Dates

## Annex 1: Core Budget Assumptions

### Inflation

1. Based on the latest forecast by the Office for Budget Responsibility (OBR) the Consumer Price Index is expected to rise by 3.2% in 2025 and 2.1% in 2026. An updated forecast from the OBR is expected to be shared at the same time as the Budget Statement on 26 November 2025.
2. The latest estimate from the Office for National Statistics indicates that CPI inflation was 4.1% for the 12 months up to September 2025 compared to an increase of 3.2% in the year to October 2024. The Retail Price Index (RPI) increased by 4.5% in the 12 months up to September 2025, compared to an increase of 3.4% in the year to October 2024.
3. General inflation has been assumed at 3.0% for contracts, non - pay expenditure.
4. Increases to fees and charges need to reflect cost recovery as well as any considerations about affordability so they will be calculated individually with an average increase of 2.5% assumed.

### National Living Wage

5. As set out in the report the increase from 1 April 2026 is likely to be announced in the Budget Statement on 26 November 2025.
6. The impact of the final agreed increase on the rates the council pays for services will need to be considered as part of the budget process along with other inflationary pressures for both pay and non – pay expenditure.

### Pay Inflation

7. A 3.2% increase for all National Joint Council for Local Government Service (NJC) Green Book employees, effective from 1 April 2025 was agreed in July 2025. The use of £3.8m on-going funding for pay inflation held centrally but not required fund 2025/26 pay inflation will be considered through the budget process for 2026/27.

The MTFs agreed in February 2025 assumes pay inflation increases of 2.5% in both 2026/27 and 2027/28. The increase in the National Living Wage and the level of inflation more generally may impact on whether this is sufficient to meet the potential increase in 2026/27. Each additional 1% is estimated to cost around £2.0m. Estimated pay inflation will be held centrally until pay awards are agreed.

### Contract Inflation

8. Funding for contract inflation has been built into service budgets for 2025/26 based on the relevant contract specification and timing of uplifts for different contracts. Funding for inflationary uplifts in 2026/27 was added to the plan on an indicative basis and will need to be reviewed and updated as part of the process.



9. The ability to meet the additional cost of both contract and pay inflation within the available funding will need to be considered as part of the Budget & Business Planning process for 2026/27.

#### Contingency

10. To help manage the impact of financial risk, a corporate contingency budget is held to cover:

- the risk that demographic pressures are higher than forecast;
- any unfunded new burdens or unfunded elements of government grant;
- any potential pay awards beyond budgeted assumptions plus other inflationary risk; and
- the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.

11. £7.3m contingency budget is available in 2025/26. The MTFS assumes that £4.9m funding released from one – off investments in 2025/26 is added to contingency in 2026/27; the expectation is that this will need to be released to manage the impact of funding reductions but this will be confirmed later in the budget process. The level of on-going contingency budget that will be held for 2026/27 will be considered as part of the Budget & Business Planning process.

#### Government Grants

12. The February 2025 MTFS assumes that all current all ringfenced and un-ringfenced government grants continue at least 2025/26 confirmed levels or reflect notified known changes.

13. An update on un-ringfenced grant funding, as well as changes to any other grants where those may be consolidated or reduced as part of funding reform, is expected to be received as part of the Local Government Settlement for 2026/27.

## Annex 2: Previously Proposed budget changes 2026/27 and 2027/28 (February 2025 MTFS)

### Previously Proposed Changes by Type (\*):

	2026/27	2027/28
Demographic Changes (Adult Services, Children's Services and Waste Management)	£10.0m	£11.5m
Inflation	£25.1m	£24.0m
Changes to pressures and service area reserve drawdowns	-£1.7m	£0.6m
Investments (this change negative due to the completion of time limited projects – ie. it is one off – budget in 2025/26 that will fall out in 2026/27)	-£3.6m	-£0.1m
Removal of budgets previously funded from the COVID-19 reserve	-£0.7m	£0.0m
Savings	-£4.3m	-£0.3m
Cross Cutting Savings	-£5.2m	
<b>Total</b>	<b>£19.7m</b>	<b>£35.8m</b>

### Previously Proposed Changes by Service (\*):

	2026/27	2027/28
Adult Services	£15.1m	£17.1m
Children's Services	£3.4m	£12.3m
Environment & Highways	-£0.9m	£4.0m
Economy & Place	-£3.4m	£0.0m
Public Health and Communities	£0.8m	£0.0m
Oxfordshire Fire & Rescue and Community Safety	£0.5m	£0.6m
Resources and Law & Governance	-£0.4m	£1.6m
Transformation, Digital and Customer Experience	£0.1m	£0.1m
Redesign and commercial savings to be allocated to services	-£3.9m	
Pay inflation	£8.4m	
<b>Total</b>	<b>£19.7m</b>	<b>£35.8m</b>

(\*) Reductions to budgets (for example where one – off budget available in 2025/26 is removed) are shown as negative and increases as positive. For example, the budget for Adult Services will be rolled forwards from 2025/26 and then increased by changes totalling £15.1m in 2026/27. Any further changes required to balance the budget overall to the funding will then be added to this starting point.

## Annex 3 General balances and earmarked reserves

### General Balances

1. The Council maintains general balances to provide a contingency against unplanned or unexpected events.
2. Although there is no recognised official guidance on the level of general balances, the key factor is that the level should be justifiable in the context of local circumstances. The council's external auditor comments on the level of balances and reserves as part of the annual audit of the Council's financial position. Financial regulations require Council to decide on the level of general balances it wishes to maintain before it can decide the level of council tax. This will be done as part of the annual budget setting process.
3. The risk assessment for the level of balances for 2025/26 is shown below:

Area of risk	2025/26 £m	Explanation of risk/justification of balances
Emergencies	6.4	An allowance of 1.0% of annual net operating budget for the cost of responding to emergencies that falls outside of eligibility for the Bellwin Scheme
Directorate overspends	8.2	Risk that directorates will overspend due to unforeseen pressures, demography or demand and no mitigations are available - assumes 1.25% overspend in 2025/26 (reduced from 2.5% in 2024/25).
Contingent liabilities & insurance risk	3.2	Possible liabilities for which no provision has been made or funding set aside in an earmarked reserve (0.5% of net expenditure or minimum to meet quantified contingent liabilities)
Major contracts & 3rd party spend	7.4	Risk of contractors failing, mis-specification, or non-delivery plus contract costs increase by more than allowed for in the budget - calculated as 1.0% of estimated spend with suppliers (increased from 0.75% in 2024/25)
Capital Programme risk	5.0	Risk related to capital grant funding ceasing before schemes are completed or increases in costs compared to the level of grant funding. Assumes £5m risk relating to grant funded schemes where there may be an impact in 2025/26.
<b>Total (one - off funding)</b>	<b>30.2</b>	

4. The risk assessment for 2026/27 will be considered as part of the budget process.

## Earmarked Reserves

5. Earmarked reserves are held for a specific purpose and to mitigate against potential future known or predicted liabilities. They are grouped into the following categories:
  - a. Revenue Grants Unapplied – these are specific grants received by Government Departments which remain unused at the end of the financial year and are carried forward to be utilised in future years. Examples include the Public Health Grant and grant funding for the Homes for Ukraine scheme in Oxfordshire.
  - b. Capital & Equipment – funding for the council's capital programme and the replacement of equipment and vehicles.
  - c. Funding for Risk – funding held to mitigate future financial and service risks. Examples include the Insurance and Collection Fund reserves.
  - d. Corporate Priorities – one – off funding to support and deliver the council's priorities. Examples include the Budget Priorities and Transformation reserves.
  - e. Other Reserves – funding held for other specific purposes including the On – Street Parking Reserve.
  - f. Unusable Reserves – surpluses and deficits held on behalf of Local Education Authority maintained schools.
  
6. The actual level of earmarked reserves at 31 March 2025 and expected level at 31 March 2026 are summarised on the next page.

<b>Reserves</b>	<b>Actual Balance at 31 March 2025</b>	<b>Forecast Movement in 2025/26</b>	<b>Estimated Balance at 31 March 2026</b>
<b>Revenue Grants Unapplied</b>			
Grants and Contributions reserve	£30.3m	-£10.9m	£19.4m
COVID-19 reserve	£3.8m	-£3.6m	£0.2m
Government Initiatives reserve	£6.6m	-£2.4m	£4.1m
<b>Subtotal</b>	<b>£40.7m</b>	<b>-£17.0m</b>	<b>£23.7m</b>
<b>Corporate Priorities</b>			
Budget Priorities reserve	£12.5m	-£7.1m	£5.3m
Local Government Reorganisation reserve	£10.0m	£0.5m	£9.5m
Transformation reserve	£7.5m	£2.5m	£9.9m
Commercial Pump Priming reserve	£2.0m	£0.0m	£2.0m
Zero Emissions Zone	£1.5m	£0.0m	£1.5m
Green Financing reserve	£0.9m	£0.0m	£0.9m
Extended Producer Responsibility reserve	£0.0m	£3.4m	£3.4m
<b>Subtotal</b>	<b>£34.3m</b>	<b>-£0.7m</b>	<b>£32.5m</b>
<b>Funding for Risk</b>			
Demographic Risk reserve	£21.0m	£4.0m	£25.0m
Insurance reserve	£10.6m	£0.0m	£10.6m
Collection Fund Risk reserve	£8.1m	-£2.1m	£6.0m
IFRS 9 (Value of Treasury Management Pooled Funds)	£4.0m	£0.0m	£4.0m
Redundancy reserve	£4.1m	£1.2m	£5.3m
Council Elections	£0.7m	-£0.7m	£0.0m
Trading Accounts	£0.2m	-£0.0m	£0.1m
<b>Subtotal</b>	<b>£48.6m</b>	<b>£2.3m</b>	<b>£50.9m</b>
<b>Capital &amp; Equipment</b>			
Capital & Prudential Borrowing reserves	£109.6m	-£0.0m	£109.6m
Vehicle and Equipment reserve	£3.2m	-£1.8m	£1.4m
Investment Pump Priming reserve	£0.1m	£0.0m	£0.1m
<b>Subtotal</b>	<b>£113.0m</b>	<b>-£1.9m</b>	<b>£111.1m</b>
<b>Other reserves</b>			
Partnership reserves	£1.7m	-£0.5m	£1.2m
On Street Car Parking reserve	£5.3m	-£1.3m	£4.0m
<b>Subtotal</b>	<b>£7.1m</b>	<b>-£1.8m</b>	<b>£5.2m</b>
<b>Unusable Reserves</b>			
Schools' reserves	£10.7m	-£0.9m	£9.8m
<b>Total Earmarked reserves</b>	<b>£254.4m</b>	<b>-£20.3m</b>	<b>£233.1m</b>

	<b>Actual Balance at 31 March 2025</b>	<b>Forecast Movement in 2025/26</b>	<b>Estimated Balance at 31 March 2026</b>
Adult Services	£6.1m	-£4.9m	£1.3m
Children's Services	£20.4m	-£5.2m	£15.2m
Public Health & Communities	£14.7m	-£6.5m	£8.2m
Environment & Highways	£9.3m	£1.7m	£11.0m
Economy & Place	£8.6m	-£2.2m	£6.4m
Fire & Rescue and Community Safety	£3.6m	-£2.3m	£1.3m
Resources and Law & Governance	£2.1m	-£1.6m	£0.5m
Transformation, Digital & Customer Experience	£8.3m	£2.3m	£10.6m
<b>Service Area Total</b>	<b>£73.1m</b>	<b>-£18.6m</b>	<b>£54.5m</b>
Corporate Reserves	£181.3m	-£1.7m	£178.1m
<b>Total Earmarked reserves</b>	<b>£254.4m</b>	<b>-£20.3m</b>	<b>£233.1m</b>

## Annex 4 Timeline and Key Dates

Date	
14 November 2025	All councillor budget briefing: Budget & Business Planning Report to Cabinet on 18 November 2025
18 November 2025	Cabinet consider Budget & Business Planning Report setting out background to the budget and the budget process for 2026/27
26 November 2025	Chancellor's Autumn Budget Statement
Late November 2025	Government to publish response to Fair Funding Review 2.0 consultation and Local Government Finance Policy Statement
15 December 2025	Government expected to publish Provisional Local Government Finance Settlement for 2026/27
<b>8 January 2026</b>	<b>Publication of report for Performance &amp; Corporate Services Overview &amp; Scrutiny Committee. This will set out funding updates following the Provisional Local Government Finance Settlement, the proposed budget for 2026/27, proposed changes to the capital programme, proposed fees and charges and the MTFS.</b>
13 January 2026	All councillor budget briefing on the proposed budget
14 January 2026	Audit & Governance Committee consider the Treasury Management Strategy for 2026/27 and assessment against the CIPFA Financial Management Code.
15 January 2026	National deadline for districts to share council tax surpluses or deficits
16 January 2026	Performance & Corporate Services Overview & Scrutiny Committee consider funding updates, proposed budget for 2026/27, proposed changes to the capital programme, proposed fees and charges and MTFS.
19 January 2026	Publication of Budget & Business Planning report for Cabinet
27 January 2026	Cabinet propose budget for 2026/27, MTFS, Financial Strategy, Capital & Investment Strategy and Treasury Management Strategy for 2026/27
31 January 2026	Final deadline for districts to share council tax base (this is expected to be shared in December or early January)
Early February 2026	Final Local Government Finance Settlement for 2026/27
1 February 2026	Publication of report for Council including the Chief Finance Officer's Statutory Report.
6 February 2026	Publication of opposition amendments
<b>10 February 2026</b>	<b>Council consider and agree budget for 2026/27, MTFS, Capital &amp; Investment Strategy and Treasury Management Strategy</b>