

Budget introduction 2026/27

Background: Fair Funding, LGR and devolution

1. In June 2025, the government opened a consultation on their proposed new way of funding local authorities, which they named the Fair Funding Review. The intention behind this review was to reform council funding, providing support to those councils with a low tax base, higher levels of deprivation and high demand for services, and reinstating the three-year settlement so that councils could plan ahead. The principle of increasing funding for those with the greatest need is one that we support, and we welcome the three-year settlement. We also welcome the simplification of grant funding which will result from a large number of different grants being consolidated in the overall settlement.
2. The government announced on December 17th that Oxfordshire's income will increase by £94.9 million over the next three years. But in making that announcement it assumed that council tax, paid by Oxfordshire residents, will rise by 4.99% in each of those years. The reality is that we will see an underlying reduction in our funding from government of £27.2 million over this period, while increases in council tax at 4.99% would total £119 million should that be adopted. It is disappointing that, rather than providing those councils with the greatest need an uplift to their funding while maintaining funding for others, the government has chosen to reduce funding for councils such as ours and rely on local residents to make up for this.
3. We recognised when we presented the budget in 2025, that we might be seeing a reduction in funding from 2026 onwards. We prepared for this in our 2025/2026 budget, which is why this year we have been able to close a gap of £5.4 million in our budget for 2026/2027. However, we will need to find additional savings of at least another £15.5 million in 2027/28 rising to £22.0m from 2028/29.

4. In November, three proposals for local government reorganisation were submitted by Oxfordshire councils to government for consideration. A statutory consultation is due to start in mid-February and a decision is expected in the summer. Our budget recognises the resources that will be needed to take both devolution and local government reorganisation forward during 2026/2027 and beyond, and we are committed to ensuring that there is transparency in how that money is used. The reduction in government grants means that achieving savings through local government reorganisation will, however, be challenging.

Consultation and Engagement

5. Our usual practice is to hold a consultation on our budget with residents prior to publication, but because we were only informed by government of the grant settlement on December 17th, there has been no time this year to undertake that. However, we have an ongoing resident consultation and engagement programme. As part of this programme, we conducted 9 group discussions in July 2025, led by REMind Research. These discussions included people from a range of age groups and locations, including younger adults from both rural and urban areas. In addition, our annual resident satisfaction survey was sent to 6,000 households between July and August 2025, generating a total of 1,065 completed questionnaires, and 178 face to face interviews were conducted with people between the ages of 18 and 44. The research has helped us to identify our residents' priorities.

New Budget Pressures and Investments

6. We are pleased to present a balanced revenue budget for 2026/2027, which supports this council's priorities and ensures that we continue to serve the needs of our most vulnerable residents. However, we face a number of pressures in addition to the reduction in government funding. The Chancellor has announced a rise in National Living Wage from £12.21 per hour to £12.71 per hour, effective from April 1st 2026. We welcome the increase in national living wage, but this does put additional pressure on our budgets and on those of our

providers. We have budgeted for an overall pay increase for our staff of 3.2% in 2026/2027, and of 3% in each of the following two years.

7. We continue to see increased demand for SEND support. The Statutory Override for the High Needs Dedicated Schools Grant Block is scheduled to end in 2027/2028. Information from the government about how deficits will be managed in future is expected as part of the Final Local Government Settlement. Over the past few years, we have prudently been adding funds to our Demographic Risk Reserve (now renamed the High Needs DSG Deficit Risk Reserve) to help manage the potential impact on the council. We are proposing to add £8 million to this reserve in 2026/2027. At the time of publication, Oxfordshire County Council's deficit is expected to reach £163.2 million by March 31st 2026.
8. An additional £3.2 million is likely to be needed for school transport based on the number of Education, Health and Care Plans, but this will partially be offset by savings of £1.2 million, achieved through new ways of working and improved planning of routes.
9. Our Adult Social Care services continue to face demographic changes and the rising cost of complex placements, as well as general inflationary pressures. The failure of a provider of equipment to adults with learning disabilities has required a change in contract, resulting in additional costs of £0.9 million. However, these pressures have been partially offset with savings of £1.9 million, achieved through a number of measures including contract reviews, and the increased use of assistive technology.
10. In spite of these pressures, there are many aspects of our revenue budget that are positive. As a council, we are in much better shape financially than many others and have been able to maintain high levels of service through careful management and innovative ways of working. We are pleased that children in low-income families will benefit from an increase in the Families, Children and Youth Grant, which is increasing from £4.968 million 2025/2026, to £8.204 million in 2026/2027. £3.1 million of this will fund additional expenditure relating to the Families First Partnership Programme. We are also

allocating £0.7 million to the recruitment and retention of apprentices in Children's Services.

11. For the first time in years, we have funded a full gully clearing programme in 2025/2026. £1.2 million will be allocated in this budget to maintaining the regular clearing of gullies to combat the increased risk of flooding. Based on our experience of our full gully clearing in 2025/2026 we anticipate that this will be adequate for next year's programme.
12. This ongoing budget pressure next year and into the medium-term, alongside the responsibility to optimise the benefits of local government re-organisation, means OCC will accelerate, not slow-down its plans to use more technology to improve services to residents and create more innovative partnerships with our first-class community and voluntary sector to help meet the growing needs of our communities.

Capital Expenditure Priorities

13. The limitations of our revenue budget mean that any borrowing for capital investment must be very carefully considered to ensure it is affordable both now and in future. We have a large pipeline of projects, especially those that would contribute to achieving our net zero target and modal shift in transport, but there is very little flex in the revenue budget, out of which we would need to repay any additional borrowing. We have available £24.1 million in capital to support our priorities. Among these priorities are improving our highways network, including flood prevention, promoting active travel, enhancing our towns, supporting schemes that improve energy efficiency and the environment, and unlocking S106 developer contributions. These are some of the schemes that we have included:
14. The gully clearing programme has revealed the need for significant investment in our drainage systems which have been found to need major repair following years of neglect. We have therefore allocated a new investment of £2 million to the capital programme in each of 2026/2027 and 2027/2028 to repair broken

highway drainage. That means the total spend on gullies in 2026/27 will be £3.2m.

15. We are committed to improving walking and cycling for our residents, and we have included in our highways capital budget a number of projects which will promote active travel and improve safety. These include £1.7 million to deliver the Local Cycling and Walking Infrastructure Plans (LCWIPS) being developed for our communities, and £1.6 million to pilot schemes to improve freight movements and ease congestion. In rural areas we will be investing £0.250 million in Quiet Lanes, to make walking, cycling and riding safer.
16. Our library refurbishment programme will continue, with £0.550 million investment in Didcot library, and a further £0.220 million for upgrades to other libraries in the county. This follows the successful refurbishment of libraries in Chinnor, Henley and Witney, which now have attractive, energy efficient buildings with spaces for meetings and excellent facilities for children and young people. Usage of our refurbished libraries has increased by around 30 – 40%.
17. In our budget for 2025/2026, we included £4 million to unlock S106 developer contributions which has resulted in £23.5 million being released for use in projects around the county. We are including a further £2 million for this purpose in our budget this year, which we expect to unlock further schemes.
18. We are committed to ensuring that children with SEND receive the best possible education, and we are including £2.6 million in this budget for the relocation of Woodeaton Manor Special School into a modern, purpose-built facility, in a location which will improve accessibility.

In spite of the challenges that we face, I am pleased to be able to present a balanced budget, in line with our priorities and those of our residents. This budget supports our most vulnerable residents, invests in local communities, and directs resources towards managing our

highways, encouraging active travel, and tackling the effects of climate change.

Cllr Liz Leffman

February 2026