

Cabinet



Report of Head of Finance

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Wards affected: All

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To: CABINET

6 February 2026

To: COUNCIL

11 February 2026

Revenue budget 2026/27 and capital programme 2026/27 to 2030/31

Recommendations

- a) That Cabinet recommends to Council that it:
 - Sets the revenue budget for 2026/27 as set out in appendix A.1 to this report,
 - Approves the capital programme for 2026/27 to 2030/31 as set out in appendix D.1 and D.2 to this report, together with the capital programme changes as set out in appendix D.3,
 - sets the council's prudential limits as listed in appendix E to this report,
 - sets the council's medium-term financial plan to 2030/31 as set out in appendix F to this report.
 - notes the Fees and Charges schedule as set out in appendix G of this report,
- b) That Cabinet agrees that the head of finance, in consultation with the cabinet member for finance, may make minor adjustments to this report and the prudential indicators should they prove necessary prior to its submission to Council on 11 February 2026.

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	Yes	No	No
Signing off officer	Anna Winship	Nick Bennett	Jessie Fieth	Lorne Grove

Purpose of report

1. This report, when presented to Cabinet, will:
 - Bring together all relevant information to allow Cabinet to recommend to Council a revenue budget for 2026/27 and a capital programme for 2026/27 to 2030/31;
 - recommends the prudential indicators to be set by the council in accordance with 'the Prudential Code' introduced as part of the Local Government Act 2003;
 - contains the opinion of the council's chief financial officer on the robustness of estimates and adequacy of the council's financial reserves;
 - contains the Medium-Term Financial Plan (MTFP) which provides details of the forward budget model for the next five years.

Corporate objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council and should reflect the council plan.
3. Under the government's proposed timeline for Local Government Reorganisation (LGR), this council is expected to be superseded by one or more unitary councils from 1 April 2028. However, as this timeline has not been confirmed, and to help support the financial planning of the successor council, this budget has been prepared on the assumption that the council continues to exist in its current form for the duration of the Medium-Term Financial Plan period – five years.
4. Until the council ceases to exist, it continues to be bound by best value legislation applicable to all local authorities, requiring it to continue to demonstrate economy, efficiency and effectiveness in all its activity. It must also continue to set balanced budgets and ensure ongoing financial sustainability. The council will however need to take into account specific directions and guidance from the Government or relevant bodies if and when those are issued in respect of local government reorganisation.

Revenue budget setting

Background

5. In October 2025 Cabinet received a budget scene setting report which provided an update on progress to date along with the proposed activities and a timetable of budget setting activity. A second, budget update report was considered by Cabinet in December 2025 which included a latest revenue base budget, together with estimates of government funding.

Revenue base budget setting 2026/27

6. The budget update report considered by Cabinet in December discussed the construction of the council's base budget and reported on progress to date.
7. **Appendix A.1** summarises the movements in the base budget in 2026/27 – these were discussed at length in the December update report. These movements are detailed below:
 - Opening budget adjustments £451,487 (**appendix A.2**),
 - Inflation, salary increments and other salary adjustments £701,146, (**appendix A.3**),
 - Essential growth £2,019,605 (**appendix A.4**),
 - Base budget reductions £1,502,545 (**appendix A.5**).
8. Where appropriate and applicable, and in line with the rent setting policy, council-provided housing rents will increase by 4.8%.
9. The revenue contingency budget of £400,000 remains unchanged, and an in-year savings target of £100,000 has been included. The managed vacancy factor has previously been held at £500,000 but this is now reduced to £250,000.
10. As a result of these changes the council's revised base budget for 2026/27 is **£25,677,294** an increase of £916,719 over 2025/26.

Revenue growth

11. Revenue growth of **£58,000** has been included in the budget for 2026/27. This is detailed in **appendix B.1**.

Gross treasury income

12. Investment returns for 2026/27 will be used to finance expenditure in-year. It is currently forecast that **£4,513,877** will be earned in 2026/27.
13. More details of treasury income can be found in the council's Treasury Management Strategy report¹.

Borrowing

14. As noted in the December update report, as the council has a capital programme that cannot be fully funded from grants, external contributions and its own capital receipts, it is in a position where it has a borrowing need. Whilst its cash balances mean that it does not need to actually borrow money from a third party its use of cash balances in this way, known as internal borrowing, means that the council needs to make a provision of **£6,000** in the revenue budget for the principal amount of the internal borrowing it has undertaken. This is known as Minimum Revenue Provision (MRP).

¹ Considered by Cabinet 6 February 2026, Council 11 February 2026

15. As there is no actual borrowing from a third party, there is no associated interest payment. However, the use of the council's cash balances to fund capital expenditure means that it has less cash available to invest. This has been taken into account in determining the treasury income the council will earn.
16. Including growth and gross treasury income results in a net expenditure budget for the council of **£21,227,417 (appendix A.1)**.

Reserves and other funding

Transfers from earmarked reserves

17. There will not be any amounts transferred to or from earmarked reserves and therefore the amount of revenue expenditure to be financed from government settlement and from council tax 2026/27 is **£21,227,417**.

Funding

Local government settlement

18. The provisional local government settlement for 2026/27 was announced in December 2026. This followed the publication of the Local Government Finance Policy Statement in November, the details of which were reported to Cabinet in December.
19. Based on assumptions made at the time, it was estimated in the December 2025 Cabinet report that core government funding – comprising retained business rates, revenue support grant and any transitional protection should the council be subject to the government's funding floor, together with council tax, would amount to £16.746 million. Under the settlement, the actual total of core government funding and council tax is - as shown in table 1 below - £17.225 million.

Table 1: Settlement funding 2026/27

	2026/27 £
Fair funding allocation	
Baseline funding level	(2,933,456)
Assumed increase in retained business rates	(50,000)
Revenue support grant	(4,292,025)
Transitional protection	0
Council tax	(9,949,826)
Total	(17,225,307)
Other grants (included in services)	
Homelessness, rough sleeping and domestic abuse	(868,081)
Extended Producer Responsibility for packaging (pEPR)	(1,591,455)
Overall total	(19,684,843)

20. It will be noted from the table that there is no transitional protection, and the settlement confirms that the council is not on the funding floor. This is clearly a much better position than previously envisaged, especially when it is recalled that in Summer 2025 the council was advised that it could see its core spending power (the combination of council tax and government grant funding) reduce by up to seven per cent.

21. Included in the table above is an assumed modest increase in retained business rates over the baseline of £50,000. In 2026/27 there is a full reset of retained business rates. It remains to be seen to what extent there is growth above the baseline but the amount included is considered prudent and low risk. Should business rates fall below the baseline then the safety net is at 100 per cent for 2026/27 so there is no risk of receiving less than the baseline funding level amount shown above.
22. As noted in table 1, there are two other funding streams in addition to core funding. The Homelessness, rough sleeping and domestic abuse grant funding stream brings together previously separate funding streams and is a ring-fenced grant which must be spent on those services. Further detail on how the council's allocation will be spent will be determined in due course but for the purposes of budget setting the increase in income over that received under the previous Homelessness Prevention Grant has been added to the budget with a corresponding expenditure line so that future spend decisions will be within the agreed budget.
23. The second funding stream - pEPR - is now in its second year and the amount due to be received in 2026/27 is as reported in the December Cabinet report.

Business rates from renewable energy

24. In addition to the retained business rates considered above, business rates retained by the council as planning authority relating to facilities generating renewable energy within the district are estimated at **£702,826** (MTFP row 60).

Collection fund

25. The surplus on the collection fund is estimated in 2026/27 to be **£347,000** (MTFP row 63).

Use of reserves

26. The difference between expenditure requirement and the funding available is smoothed over the medium-term financial plan by earmarked reserves and the general fund balance. The net impact of these budget proposals is a transfer from reserves of **£1,360,829** in 2026/27. This use of reserves is considered sustainable in line with the principal established when the revenue budget for 2025/26 was agreed, namely that for use of reserves to be sustainable it should represent no more than ten per cent of available reserves.

Revenue budget proposal

27. Based on the amendments detailed above, and as shown in **appendix A.1** of this report, the budget proposal, including growth, is for a budget requirement of **£21,227,417**. This revenue budget as proposed would result in an increase of £5.00 to current band "D" council tax to **£166.69**. The amount that would be raised by the council tax being set at this level is shown in table 1 above.
28. **Appendix C** shows the breakdown of the revenue budget.

Local Government Reorganisation

29. Although not an explicit line item in the revenue budget, as noted in the December 2025 budget update report, it is recommended that £3 million be put aside in revenue

reserves to fund the council's share of the costs of LGR and devolution. It is anticipated that the £3 million will come from revenue underspends in 2024/25 and 2025/26.

Capital programme 2026/27 to 2030/31

Current capital programme

30. The December budget update report included the latest capital programme (before growth) following review and challenge as part of the budget setting process. This was correct as at 10 December 2025. Following further work by officers and a challenge review process with members the capital programme has since been updated and the capital programme summarised in **appendix D.1** and detailed in **appendix D.2** and summarised in table 2 below includes additional changes. It is the capital programme as set by Council in February 2025 plus:

- slippage (caused by delays to projects) carried forward from 2024/25,
- new schemes approved by Council during 2025/26,
- re-profiling of expenditure on schemes from the 2025/26 financial year to future years where delays to schemes have occurred or additional information is now available to support more accurate profiling,
- the deletion of previously agreed schemes that have completed or are not being pursued at this time in their original form.

31. The capital programme also includes Community Infrastructure Levy (CIL) receipts that are payable to Oxfordshire County Council and Buckinghamshire, Oxfordshire and Berkshire West Integrated Care Board.

Cabinet capital programme proposals

32. **Appendix D.3** contains a list of new capital schemes that are being recommended as part of this budget proposal. All of the CIL funded schemes included in appendix D.3 can be funded from receipts already received by the council and those forecast to be received over the capital programme period.

Financing the capital programme

33. Where permitted, capital expenditure is funded in the first instance from specific government grants, earmarked reserves and other external contributions. The balance of the programme is funded from the council's capital receipts reserve or through prudential borrowing which has implications for the revenue budget. For 2026/27, it has been assumed that the affordable homes element of the former New Homes Bonus grant funding, which had been previously ring fenced, would be used to support capital expenditure, given that the council is now bearing borrowing costs in its revenue budget.

34. **Table 2** contains a schedule showing the current and proposed capital programme and how it will be financed, including the growth proposals, if they are approved.

35. The total planned capital expenditure, including the current financial year is **£47.903 million** over the programme period. The council's usable capital receipts, based on current estimates, are expected to be **£0.488 million** by the end of 2030/31.

Table 2: current and proposed capital programme with financing

	Budget £'000						Total
	2025/26 Latest	2026/27	2027/28	2028/29	2029/30	2030/31	
Capital programme approved	20,979	13,322	5,078	2,826	1,778	1,678	45,662
Earmarked CIL funded projects	571	437	90	50	50	0	1,197
Capital growth proposals		839	140	22	22	22	1,044
Total Expenditure	21,550	14,597	5,308	2,898	1,850	1,700	47,903
Financing							
Grants	7,373	1,327	1,327	1,327	1,327	1,327	14,008
S106	3,715	2,937	193	1,241	193	193	8,473
CIL	1,486	5,638	140	50	50	0	7,365
Other contributions	835	0	0	0	0	0	835
Borrowing	4,700	4,118	3,350	0	0	0	12,168
Usable capital receipts	3,441	577	298	280	280	180	5,055
Total Financing	21,550	14,597	5,308	2,898	1,850	1,700	47,903
Estimated balances as at 31 March 2031							
Usable capital receipts							488

The prudential code and prudential indicators

36. In setting its revenue and capital budgets for 2026/27, the council must agree prudential indicators in accordance with the prudential code (see below). When recommending its budgets to Council, Cabinet must also recommend the prudential indicators.
37. From 1 April 2004, government control of local authorities' borrowing was abolished and replaced by a prudential system of self-regulation. Authorities are able to borrow based on need and affordability, which they demonstrate through compliance with the prudential code developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and which, like other CIPFA codes, is a binding requirement on local authorities by government regulation.
38. The key objectives of the prudential code are to ensure that the capital investment plans of the authority are affordable, prudent, and sustainable. To demonstrate that authorities have had regard to these objectives, the prudential code sets out a number of indicators that must be considered covering five distinct areas – capital expenditure, affordability, prudence, external debt and treasury management. The council must approve the indicators through the budget process before 1 April each year, but they can be revised during the year if required.
39. The key indicators that will drive the capital budget decision making process will be those concerning affordability, as these measure the impact of capital investment decisions on the overall revenue budget and in particular the precept against the collection fund.
40. In setting or revising the prudential indicators the council is required to have regard to:

- affordability e.g., implications for the precept
- prudence and sustainability e.g., implications for external borrowing
- value for money e.g., option appraisal
- stewardship of assets e.g., asset management planning
- service objectives e.g., strategic planning for the council
- practicality e.g., achievability of the forward plan.

41. Under the code, the head of finance as chief finance officer is responsible for ensuring that the council considers all relevant matters when setting or revising indicators through a report and subsequently that these are complied with. The head of finance is therefore also required to establish procedures to monitor performance against all forward-looking indicators and report upon any significant deviations from forward forecasts with proposed actions.

42. **Appendix E** contains the recommended prudential indicators, which have been calculated based on the budget proposals.

Fees and Charges

43. Fees and Charges for each service area, where relevant, are reviewed as part of the budget process and agreed with officers and members during this process. The revised schedules which are still subject to change are appended to this report as **Appendix G** for noting. The final versions of these schedules will be published on our website after 1 April 2026.

The Medium-Term Financial Plan (MTFP)

44. As noted earlier, although under the government's proposals for LGR the council is expected to be superseded by one or more unitary councils from April 2028, a five-year MTFP has continued to be prepared to show a forward budget model for the next five years to support future planning. **Appendix F** contains the MTFP for 2026/27 to 2030/31. This is a projection of the revenue budget up to 31 March 2031. It incorporates assumptions on interest income and other pressures on the council, such as inflation and salary increments.

45. In December, the council received an indication of funding levels for 2027/28 and 2028/29. These, together with expected levels of council tax, based on assumptions about tax base growth and future council tax increases, and assumptions regarding funding beyond 2028/29 are included in the MTFP and shown in table 3 below.

Table 3: Future funding levels

	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £
Fair funding allocation					
Baseline funding level	(2,933,456)	(3,000,744)	(3,061,280)	(3,122,505)	(3,184,955)
Assumed increase in retained business rates	(50,000)	(100,000)	(150,000)	(200,000)	(250,000)
Revenue support grant	(4,292,025)	(3,838,036)	(3,356,634)	(2,826,622)	(2,270,824)
Transitional protection	0	0	0	0	0
Council tax	(9,949,826)	(10,432,743)	(10,937,873)	(11,467,886)	(12,023,684)
Total	(17,225,307)	(17,371,523)	(17,505,787)	(17,617,013)	(17,729,463)
Other grants (included in services)					
Homelessness, rough sleeping and domestic abuse	(868,081)	(941,813)	(975,400)	(994,908)	(1,014,807)
Extended Producer Responsibility for packaging (pEPR)	(1,591,455)	(1,623,284)	(1,655,750)	(1,688,865)	(1,722,642)
Overall total	(19,684,843)	(19,936,620)	(20,136,937)	(20,300,786)	(20,466,911)

46. As is shown in table 3, the modest assumption regarding future business rates growth is replicated in all years. Officers will review the actual business rates to determine actual growth above baseline, or to confirm that business rates are below the baseline. If the latter is demonstrated, then the 100 per cent baseline in 2026/27 will be replaced by a 97 per cent baseline in 2027/28, before reverting to 92.5 per cent for 2028/29 onwards.

47. For 2029/30 and 2030/31, as the council is not on the funding floor and therefore not receiving transitional protection, the fair funding allocation amounts shown above continue to be increased by inflation. Inflation has also been assumed for the other grants shown in the table below.

48. As referred to earlier, the council introduced parameters for the sustainable use of reserves when setting the previous year's budget. As shown at the foot of the MTFP, for 2026/27 the council is budgeting to use five per cent of its general fund and unallocated revenue reserves to support the revenue budget which is well within the ten per cent parameter.

49. Beyond 2026/27, the MTFP shows that – based on current estimates - the use of reserves would not be in line with the sustainability parameters. There are a number of key variables that will impact on the amount of reserves that may be needed to set a balanced budget, including:

- Inflation levels,
- Interest rates,
- Council tax base growth,
- Amount of business rates retained,
- Amount of essential growth identified in budget setting.

50. Whilst officers will continue to monitor these variables throughout 2026 to track their impact on future years' budget setting, it is anticipated at this stage that savings will need to be made to set a budget that is balanced by less than ten per cent of reserves. Officers have begun to look at the council's expenditure with a view to prioritising it in the following order:

- Statutory obligations,

- Appropriate governance,
- Council plan priorities.

51. The main options open to councils facing budget gaps are as follows:

1. Ensure budgets are as accurate as possible, eliminating over budgeting for expenditure and under budgeting for income, whilst maintaining an adequate contingency,
2. Look to provide services more efficiently,
3. Ensure existing income streams are maximised by ensuring all costs are recovered,
4. Identify new income streams,
5. Cut services to reduce service provision.

52. Such work on identifying options to reduce costs will clearly need to be cognisant of LGR, including reflecting any constraints on reviewing or significantly changing services when the council will only exist for just over two years, and in ensuring a safe and legal transition to the new unitary council(s). This work may also be influenced by the ultimate timeline for LGR as, should LGR be delayed, the MTFP demonstrates an increasing reliance on the use of reserves in later years.

53. The Local Government Act 2003 places a duty on the chief finance officer (i.e. the head of finance) to report on the robustness of the estimates and the adequacy of reserves. The council must have regard to this report when making decisions about the setting of the budget. The construction of the budget has been managed by qualified accountants and as identified above, has this year been subject to challenge in a number of areas both by strategic management team and cabinet members.

54. A scene setting report was presented to cabinet October 2025, with a further update report, including the latest revenue base budget and updated capital programme, in December 2025. A detailed briefing on this budget proposal will be given all councillors.

55. In view of the process undertaken and his own knowledge of the budget, the head of finance is satisfied that the budget for 2026/27 is both prudent and robust. However, and noting that LGR is pending, it will be a significant challenge to maintain that position in the later years of the MTFP period based on likely pressures and expectations around future funding.

56. The head of finance's full report will be available at full Council.

Financial Implications

57. All financial implications are covered in the report.

Legal Implications

58. The Cabinet needs to make recommendations to the council on its spending proposals. Under the Local Government Act 2000 it is the council that must agree the revenue and capital spending plans, and then set the council tax. Council will meet on 11 February 2026 in order to set the budget, and the council tax including amounts set by the town and parish councils, Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley.
59. The requirement placed on the council by the Local Government Act 2003 to set prudential indicators and for the Head of Finance as chief finance officer to make a report to the authority on the robustness of the estimates and the adequacy of reserves are addressed within the body of this report.

Climate and ecological impact implications

60. As agreed with the climate team, the use of the Climate Impact Assessment Tool is not appropriate for this report as it is looking at the Council's overall budget.

Equalities implications

61. There are no proposed service reductions included in this report – as such there are no direct equalities implications arising from this report, beyond those associated with the requirement to ensure that the council's approach to staff remuneration is consistent and reflects the agreements reached with UNISON as well as wider legislation.

Risks

62. As noted under legal implications there is a legal requirement for the council to set a budget within proscribed timelines. If this is not achieved, then there is significant financial risk to the council in the short term of being unable to legally bill residents for council tax due and for wider intervention by Government.
63. The financial risks facing the council in the future have been detailed in the report.

Other Implications

64. Agreement of the revenue and capital budgets authorises expenditure in accordance with the council's delegated powers and financial procedure rules but is not a requirement to spend. The officer, councillor or councillor body taking those decisions will take into account the human resources, sustainability and equality and diversity implications of individual spending decisions, at the time they are made, as required by law.

Conclusion

65. This report provides details of the revenue base budget for 2026/27, the capital programme 2026/27 to 2030/31, government grants (the settlement), uncommitted reserves and balances, the cabinet member for finance's budget proposals and the resulting prudential indicators.

66. In light of the information provided Cabinet must make a number of recommendations to Council regarding the revenue budget, the capital programme and the prudential indicators and will do so after consideration of the views of Scrutiny.

Appendices

Appendix A.1	Revenue budget 2026/27
Appendix A.2	Opening budget adjustments
Appendix A.3	Inflation, salary increments and other salary adjustments
Appendix A.4	Essential growth
Appendix A.5	Base budget savings
Appendix B.1	Revenue growth and savings
Appendix C	Service budget analysis
Appendix D.1	Current capital programme – summary
Appendix D.2	Current capital programme - detailed
Appendix D.3	Capital growth bids
Appendix E	Prudential indicators
Appendix F	Medium term financial plan
Appendix G	Fees and Charges schedule

Report checklist

Report title: Revenue budget 2026/27 and capital programme 2030/31

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Financial implications finance@southandvale.gov.uk

Anna Winship	Accountant	Date	20/1/2026
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Legal implications legal@southandvale.gov.uk

Nick Bennett	Head of Legal	Date	20/1/2026
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Climate and ecological implications climateaction@southandvale.gov.uk

Jessie Fieth	Climate team	Date	23/1/2026
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Lorne Grove	Equalities team	Date	20/1/26
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na	Risk team	Date	
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Ben Watson	Procurement team	Date	19/1/2026
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Property implications property@southandvale.gov.uk

na	Procurement team	Date	
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Press Officer communications@southandvale.gov.uk

Gavin Walton	Communications	Date	20/1/2026
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Other implications

Other than the above, I confirm that consideration has been given to the following. Any that impact on the item have been integrated in the report:

- Health and safety implications healthandsafety@southandvale.gov.uk
- Human resource implications hadminandpayroll@southandvale.gov.uk
- Crime and disorder implications (anti-social behaviour, harm to local environment and substance abuse) communitysafety@southandvale.gov.uk
- Risk management implications risk@southandvale.gov.uk
- Union representatives unison@southandvale.gov.uk
- Relevant ward councillors

Anna Winship	Author signature	Date	26/1/26
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Style guide

Report is in accordance with style guide Anna Winship	Author signature	Date	26/1/26
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Agreed by cabinet member (if appropriate)

Mark Coleman	Cabinet member	Date	26/1/26
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Exemption/confidentiality

Is report exempt/confidential? If yes, state which paragraph of Schedule 12A to the Local Government Act 1972

	Democratic services officer	Date	
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Report checked and cleared for issue by head of service

Simon Hewings	Head of service	Date	26/1/26
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Note - Every report to the cabinet must be signed off by your head of service in advance of being submitted to democratic services.

Send this completed form to democratic services with final version of report