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**Agenda Items:** Revised Budget 2025/26 and Estimates 2026/27

**Meeting Date:** Monday 2 February 2026

**Contact Officer:** Responsible Financial Officer

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***Should Members have any queries about this report advance notice would be appreciated, in writing, by 12 noon on the day of the meeting to allow for a full response at the meeting.***

## **BACKGROUND**

The purpose of this report is to provide an overview of the revised budget for 2025-26 and the estimates for 2026-27 in order for the Council to make an informed decision about the level of the Precept demand to be served on West Oxfordshire District Council at the next agenda item.

Draft budgets are prepared based upon current activities and patterns of income and expenditure, as well as projects and priorities identified by the spending Committees throughout the year. The budget needs to be realistic, achievable, and affordable and the RFO believes that Members can have confidence in adopting this budget which will reasonably meet the Council's aspirations.

A copy of the detailed draft budget –by Committee, is attached as appendix A.

The format of the detailed budget estimates report is straightforward. For each budget line, last year's figures are in the first two columns. The current year shows the original estimate for 2025-26 including any in year adjustments such as virements between budgets shown as TOTAL, followed by ACTUAL YTD figures (based on month 6, which is the half year up to 30 September 2025), and then the revised estimate PROJECTED. This revised estimate is based upon income and expenditure during the year to date and known and expected variations relating to the remainder of the financial year. The committed column is not currently fully utilised but in future reports this will be showing more figures as the electronic purchase order system is rolled out. The final columns, on the far-right hand side of each schedule, shows the estimate for 2026-27 – the agreed (proposed) estimate to be funded from in-year revenue; EMR which shows expenditure to be funded from earmarked reserves and a Carried Forward column which is not currently used.

Note that all the revenue growth and capital items recommended by the spending committees have now been incorporated into the estimates.

## **CURRENT SITUATION**

### **Budget deliberations by the spending Committees from October to December 2025**

During the autumn of 2025 each of the Committees met and considered their revenue and capital budgets for 2026/27. During this time further work took place to check the estimates and to incorporate the latest information available.

## **OVERVIEW OF REVENUE BUDGET – REVISED 2025-26 AND**

### **ESTIMATES 2026-27**

Budgets estimates are drafted annually in order to calculate the precept/council tax requirement. With regard to patterns of income and expenditure, there will always be variations over the course of the year and it is also for that reason the Council works to annual budgets rather than monthly or quarterly ones.

#### **Budget parameters**

Draft budgets are prepared based on current activities and patterns of income and expenditure. At this stage most of the budget lines have been kept as previously agreed unless there are known variations.

When considering the estimates the RFO examines each individual budget line, looking at the historic trends and known future developments so a flat percentage is not applied uniformly across the estimates. There has been significant inflationary pressure over recent years, peaking at 14.2% (RPI) and 11.1% (CPI) in the year to October 2022 and this has impacted on the Council's costs at the same time that the Council has been taking on new services. Whilst inflation has since fallen it is higher than the Bank of England's target, running at 3.8% (CPI) and 4.5% (RPI) in September 2025 when work on the estimates commenced.

In preparing these estimates the following budget parameters, agreed by the Council, were applied:

## **INCOME**

Fees and charges for services have been considered by the spending committees and are considered by this Committee under a separate agenda item.

The Council is subject to inflationary pressures and so it is reasonable that fees and charges are increased to cover these. It should be remembered that services run at a net cost to the Council taxpayer – which is the ultimate reason they are provided by a local authority. Fees and charges are set at a level at which a reasonable amount is then recovered by those benefiting from the service which has been paid for by all Witney council taxpayers.

An increase of 4% has been allowed for fees and charges except for halls lettings which are increased by 5%. All these are subject to rounding. In agreeing the revenue estimates for 2026/27 these fees and charges are also being agreed.

## **EXPENDITURE**

### **1. Staffing Costs**

The national pay award for 2025-26 was agreed at 3.2%.

For 2026-27 previously an increase of 4% in line with inflation forecasts for 2025 was proposed but the RFO has reduced this to 3.8%, in line with subsequent trends in relation to inflation.

The Council's policy is to pay at the "Real Living Wage" as its minimum wage and for those staff affected this means an increase in the hourly wage of 6.8% from 1 April 2026.

Regarding pensions the Council received the initial findings in relation to the 2026 Oxfordshire Pensions Fund valuation during the budget cycle. This indicated a reduction in employers' contributions from 21.7% to 19.9% from April 2026, the first reduction in many years. The direct salary and overhead allocations/recharges to this Committee will be altered ahead of the meeting of the Policy, Governance and Finance Committee and will mean a reduction in these estimates.

### **2. Utilities**

There remains uncertainty regarding **gas and electricity prices**, and these could change depending on the increasingly unstable international circumstances.

The contract placed for 2025-26 and energy efficiency improvements made by the Council mean that the budgets for gas and electricity were reduced from £87,598 to £53,396.

Electricity is an area where your officers have successfully procured good rates in the past and the Council compares favorably to other local authorities. An article published in “The Times” on 14 November looked at electricity costs across principal authorities during the year to 31 March 2025. 268 of the 400 (approx.) authorities responded. In Oxfordshire, the County Council paid 44.1p per unit (kWh) and Oxford City Council 29.1p per unit. Witney Town Council paid 21.7p per unit on its main contract and if it had been included in the survey then the price paid for electricity would have been 267<sup>th</sup> (=) in the rankings with only Mid Devon District Council lower, at 21.2p per unit.

In relation to 2026-27 the Council is awaiting advice from its current suppliers although the anticipation is that any increase will be less than the current rate of inflation. However, to be prudent an increase of 3.8% has been applied. Note that within individual cost centres there will be some variation; for instance, line 4014/402, which includes electricity in relation to the Buttercross Clock and St Mary’s Church floodlighting shows a reduction on both 2025/26 revised and 2026/27 estimates due to a change of electricity supplier.

Regarding **water charges** the latest information is that business charges will increase in this area by an average of 4.5% and this has been applied.

Regarding **National Non-Domestic Rates (NNDR)**, the rates for 2026-27 will be announced after the first revenue estimates were drafted and so estimates were made on the basis of what was known at that stage which included the loss of the 40% discount from the previous Retail, Hospitality and Leisure Relief (RHL) Scheme, affecting the public halls but a new small business RHL multiplier partially mitigating this. There are also increases in ratable values from 1 April 2026.

The NNDR estimates have now been recalculated and as a result the bills for the Council’s properties from 1 April 2026 are likely to be £1,320 lower than budget, reducing from £49,434 when the estimates were drafted to £48,114 now – increases on the halls outweighed by decreases elsewhere. It is not recommended that this be altered in the estimates.

### **3. Insurance**

The Council's Long-Term Agreement (LTA) with Zurich Municipal ends as of 31 March 2026. The LTA has guaranteed the same rate (insurance charge per £1K insured) for the last five years although premiums have risen according to the sums insured. The end of the LTA will result in significant increases. The Council will seek tenders early in 2026 but for now, following advice from the Council's current insurers an increase of 40% has been applied. This reflects inflationary pressures since the current LTA was agreed and increased pressure and claims in the local government sector.

### **4. Other expenditure lines**

When considering the estimates the RFO examines each individual budget line, looking at the historic trends and known future developments so a flat percentage is not applied uniformly across the estimates. However, where a cost-of-living increase was applied, 3.8% was used for 2026-27.

## **REVISED BUDGET FOR 2025/26 AND GENERAL RESERVE POSITION**

The original budget for 2025/26 did not require spending from the general reserve. The revised budget now projects a transfer to general reserves (budget underspend) of £72,248. This is after some committed sums in relation to staffing and recreation facilities totalling £179,406 has been set aside for future expenditure for use in 2026/27 and 2027/28.

This has been made possible due to:

- Careful cost control resulting in a number of underspends.
- Staffing underspends and delays on transfers of facilities from the District Council.
- Continuing good returns received on bank accounts and investment returns on CCLA Local Authority Deposit Funds property fund investment and delays on capital spending meaning that returns are higher than expected.
- Higher income than budgeted for in relation to the 1863 Café/ Bar.

The impact of this is that the current projection for the General Reserve at 31 March 2026 is:

General Reserve at 1 April 2025	£473,387
Surplus on revenue account 25-26	£72,248
General Reserve at 31 March 2026	£545,635

The Council must keep a minimum of three months' net revenue expenditure in the General Reserve to provide an adequate contingency for unexpected expenditure. This is £544,516 (based on 2025/26 draft budget).

Consequently the Council's General Reserve position is satisfactory with no requirement to increase it but also no scope to draw from it.

## **ROLLING CAPITAL & SPECIAL REVENUE PROJECTS**

### **2025/26**

Capital projects are shown in the budget estimates at cost centre 800.

The nature of capital and special revenue projects is that typically the expenditure will be spread over a number of years and so funds are "rolled over" when there is slippage. Consequently whilst some projects have to be accounted for as part of the financial year they must be viewed in the context of being part of a rolling programme. Unfortunately this is not as straightforward to represent in the reports generated by the accounting software as the revenue budgets.

The current programme allows for a number of projects during 2025-26. The detail is in the report at cost centre 800 but the larger items include:

- Leys Masterplan – Grant to Courtside £250,000 (includes £25,000 rolled forward from previous years, all funded from the Council's rolling capital programme earmarked reserve).
- West Witney Project to undertake refurbishment and enhancements to the West Witney Clubhouse and to build a new depot for the works team to support the Council's outdoor services and also release land at the Leys for use for sports and leisure as part of the Leys Multi-Activity Hub – budget £1,977,008 funded by use of PWLB Loan, s106 funds (Clubhouse) and earmarked reserves. Further details regarding the current position are given later in this report and there are some decisions to make in the eventuality that the full budget will not be required. However, for the purposes of the revised budget in the Council's accounting software figures must be included and so the latest estimate of £1,920,500 has been applied with full drawn down of the loan agreed. Note that whilst for the purposes of the estimate papers this project shows as being completed during 2025/26 some of the expenditure will be rolled over for completion early in 2026/27.

- Play area improvements £75,000 – a recurring sum funded from revenue, with any remaining funds being transferred to the earmarked reserves.
- Improvements to the Splash Park at the Leys- this project was completed during 2025 at a total cost of £192,500 spread over two years and funded from earmarked reserves.

The majority of funding for capital projects is from sources other than the Council Tax. Income to the cost centre (codes 1170-1200) shows the source of non-precepted funding. The expenditure items are then shown from codes 4291 through to 4996.

There are a number of projects which were included in the 2025/26 estimates but which have not been undertaken and so are not showing in the projected column. These are as follows:

- Repairs to the Buttercross – the current year budget allowed for a project of £300,000 for repairs with grant funding of £225,000. However grant funding in this regard has not been possible and this project will not be taken forward at this level. However there remains a sum of £75,000 in relation to the roofing and this project will be brought forward for approval when further details are available. This project will remain in the forward programme with £75,000 of funding.
- Burwell changing rooms - £72,030 to remain in the forward programme, combination of EMRs and s106 funds.
- The Leys parking - £5,000 to remain in the forward programme, from EMRs.

## 2026/27

Details of the capital programme for 2026/27 are shown in cost centre 800 and are as previously discussed during the budget cycle.

The draft capital programme for 2026/27 totals £512,558 of which £199,333 is funded from earmarked reserves and £313,225.

The Medium-Term Financial Plan allows for a similar amount of funding of capital each year from revenue (council tax). With fruition of major projects the adequacy of this will need to be monitored and also continued exploration of alternative sources of funding.

## **Earmarked reserves**

The Council holds a number of earmarked reserves which have been set aside by the Council for specific purposes. These are detailed in the attached summary, which was presented to Members at the meeting of 5 January 2026. The reserves are held to:

- Fund planned projects;
- Save for future expenditures;
- Provide a contingency to draw on.

Earmarked reserves are largely of a revenue nature and can therefore be redeployed by resolution unless marked as restricted in the summary, earmarked reserves 381 and 382 having been awarded as grants to the Council.

These are attached as appendix B.

## **ESTIMATES FOR 2026-27**

At the Council meeting on 5 January 2026 the RFO made a presentation to Council and answered a wide range of questions on the budget.

Throughout the budget cycle it was clear that the Council is under significant financial pressure which requires more revenue to be raised through the Council tax. There are many drivers for this pressure and these have been fully detailed in the papers previously circulated. However to remind Members amongst the main drivers is continued inflationary pressure across a number of areas, the increase in the functions and services being provided by the Council including taking on facilities from the District Council at Windrush Place, Raleigh Crescent and Deer Park, major capital projects and increased youth provision to help fill a gap in provision.

In order to reduce the pressure on the Council the committees have carefully examined budgets and made sensible reductions in budgets in some areas and deleted some capital items. Your officers have proposed prudent use of earmarked reserves for some items, use of committed sums to support 2026-27 and 2027-28 spending and have also re-examined the revenue estimates to see what additional savings may be made.

At the meeting on 5 January 2026 three scenarios were presented to the Council as to how to fund the Council's services and growth and were asked if they would like to present any alternative budget proposals for consideration. A further budget option was requested one based on an inflation-only increase. This is shown later in this report based on a Council Tax increase linked to the latest inflation rate (RPI – December 2025) of 4.2%.

Members should review the full minutes from the meeting but pertinent to this evening's meeting and the 2026-27 budget/precept the minutes state:

"Members discussed the potential impact of different levels of increase to the precept. It was noted that while some Members expressed a desire for a 0% rise above inflation, there was also concern that failing to increase the precept at this stage could result in compounded and more significant increases in later years" and later:

"In concluding the discussion, the RFO summarised that he had taken the overall steer from Members that a Council Tax increase should sit between inflation (using the most appropriate measure) and 5%.

It became clear that the majority of Members favoured either option two or three of the presented budget proposals. It was therefore agreed that these two options, which differed by £2.20 over the course of the year for a Band D property, be explored further by the RFO."

It was then resolved:

1. That the Responsible Financial Officer refine the budget calculations to reflect an increase in the Council's precept for the financial year 2026/27, resulting in an increase of approximately £8 to £10 for a Band D property; and,
2. That a final decision on the level of precept be made at the Extraordinary Council Meeting scheduled for 2 February 2026.

Following the meeting a number of actions were taken:

1. An e-mail dated 7 January 2026 from the Town Clerk/CEO inviting Members are invited to submit any further suggestions relating to:
  - a. the use of Earmarked Reserves (EMRs),
  - b. amendments to the proposed budget, and/or
  - c. further changes to the special revenue or capital programme.

With request that "To allow sufficient time for review, any such suggestions must be received by close of business on Thursday 15 January 2026. This will enable the RFO and Town Clerk to assess whether proposals are viable, credible, and capable of making a reasonable impact on the Council Tax levy the presentation, schedule of earmarked reserves and detailed second draft estimates were circulated."

2. Copies of the presentation and the schedule of EMRs (7 January 2026).
3. The second draft detailed estimates (9 January 2026).

No further budget suggestions were received from Members.

There are now two matters which have budgetary implications which your officers are requesting direction and delegation from Members, firstly in relation to the West Witney Project and then in relation to the Burwell Hall.

#### West Witney Budget Update

At the Council meeting on 10 November 2025 the Council agreed a revised budget in relation to the West Witney project in the sum of £1,977,008.

Following that meeting the Town Council received additional contributions in relation to the works for the West Witney club house from Section 106 funds which substantially improved the funding situation.

At the budget briefing on 3 January 2026 Members were advised that the latest estimates in relation to the project work are as follows:

Building contract (net of MCD)	1,798,000
Contract admin	27,500
Other costs (total)	95,000
	<u>£1,920,500</u>

Members were further advised that the funding now available was:

Loan approved	1,250,000
	643,090
s106 - West Witney Clubhouse	
EMR 315 - Rolling Capital Fund	150,000
EMR 319- Sports Contingency	147,509
	<u>£2,190,599</u>

Work on site commenced in December 2025, starting with construction of the new depot; substantial progress has been made. Works have also now commenced in relation to the clubhouse refurbishment. The work is on schedule to complete in the spring of 2026.

At this stage of the project there have been some variations against the contract which overall have been favourable to the Council. However it is likely that the risks in relation to the new build are lower than in relation to the refurbishment where there may be additional works which emerge during the process and consequently at this stage officers would advise that it would be prudent to retain budget as agreed on 10 November 2025 until much later in the process and also to assume that the Council may need to draw down all of this available funds in relation to this project i.e. £2,190,599.

The RFO considers that it is still too early in the process to assume that all of the funding available will not be required and consequently he does not recommend that Members make any changes to the 2026-27 budget.

However Members will recall that at the Council meeting on 5 January 2026 the RFO did broach the issue that if the final expenditure was as agreed in November 2025 then there would be some scope to draw £270,099 less funding either in terms of the drawdown of loans or the utilisation of earmarked reserves. Note that the section 106 contributions must be used towards the clubhouse.

Clearly there are various advantages and disadvantages in relation to how the funding is structured.

In relation to the loan approval note that this is an approval to drawdown a loan of up to £1,250,000; the Council does not have to draw down the full amount. The loan can also be released in stages. At present loan interest rates are relatively low compared with past rates and as the works in relation to creating and enhancing assets are estimated to have a lifetime of at least 40 years then there is a logic to spreading the cost of these works over this period by way of a loan rather than all the costs being borne by today's Council taxpayers. However if a lower amount of loan is drawn down then obviously the repayments will also be lower.

With regard to the earmarked reserves, if these are not fully utilised as originally anticipated then they could be redeployed particularly EMR 319 sports contingency where a sum could be used towards creating or enhancing other assets such as a planned pathway at West Witney which would be used to access the planned 3G pitches as well as used by those using the recreation ground in general such as the Witney Park Run.

The RFO has outlined a number of scenarios which Members might consider if the current budget holds to £1,920,500 – please see attached as appendix C). These scenarios are:

1. Scenario A - this assumes that the Council takes up the full loan of £1,250,000. In this scenario then £270,099 of earmarked reserves would not be required and could be retained or redeployed.
2. Scenario B takes the opposite approach - the Council would draw down the full amount of earmarked reserves and minimise the amount being taken out as a loan.

This would mean that loan taken out would be £979,901 i.e. £270,099 less than that which has been approved.

3. Scenario C could be classed as “the middle ground.” The logic to this scenario is that the RFO has allocated funding in the same proportion is that is available utilising 82% of the loan available and 82% of the EMR's available.

Of course there are many other scenarios which could be run.

If towards the end of the project it becomes clear that not all the funding is required then this would result in additional funds being available during 2026-27 which Members would then consider as part of the ongoing budget monitoring and Council tax setting process later that financial year.

However your officers will very shortly be in a position where they will have to start drawing down some of the loan and therefore it would be very helpful if Members could give officers some direction regarding how they wish to proceed in the event that there are choices that can be made in relation to drawing down less loan and/or less earmarked reserve. Members are requested to resolve whether they wish your officers to base their action on either one of the three scenarios detailed or another scenario which they may wish to propose.

#### The Council's VAT position

Your officers are currently reviewing the Council's VAT position.

The Council is a section 33 body in relation to the VAT Act 1994 and, subject to the rules in relation to partial exemption, it is currently in a position to reclaim all of its input tax (i.e. the VAT the Council incurs on supplying goods and services). This is a position which your officers wish to continue. However with major capital projects either ongoing or in planned it is important that this area is kept under review.

Of particular interest is the Burwell Hall. The hall lettings default to the treatment outlined in VAT notice 741, land and property and are treated as exempt for the purposes of output tax i.e. VAT is not charged to hirers. At present the input tax apportioned to the Burwell Hall, and a few other exempt properties, is below the Council's “de minimis amount” which means that it can all be reclaimed. However the RFO is flagging with Members that it may be advantageous for the Council to opt tax the Burwell Hall lettings, potentially in the near future, to protect the Council's position of being able to reclaim all input tax. Options to tax have previously been exercised in relation to the Corn Exchange and the West Witney Clubhouse/pavilion.

If VAT is charged on Burwell Hall lettings then this will mean that there is no question that all input tax incurred on providing this service can be recovered. However any option to tax must be exercised for a minimum period of 20 years so the authority could not flip between taxing and not taxing depending on its capital projects. Furthermore there is a cost to opting to tax.

VAT is a tax on goods and services which is borne by the end user, in the case of halls lettings by the hirers. If the hirer is VAT registered then they may be in a position to reclaim the VAT charged. However most hirers will not be in that position and therefore opting to tax would on the face of it increase the Burwell Hall letting fees by 20%. However there is an alternative and that the Council could simply absorb VAT within the lettings fees. The disadvantage to the Council will be that this would effectively reduce income on the Burwell Hall by one sixth, which for 2026-27 would be £5,500 i.e. lettings income of £33,000 reduced to £27,500 + VAT.

The current position is finely balanced. However, your officers are seeking a delegation from Members to delegate authority to the Town Clerk/ Chief Executive to opt-to-tax Burwell Hall which Members are requested to agree. This does not necessarily mean that officers will conclude that the Council should opt to tax but if they do then it can be done in an expeditious manner.

If this is agreed then Members are then requested to consider how best they would wish your officers to deal with this matter and it is suggested that if an option to tax is exercised then the current all lettings fees are made inclusive of VAT. The cost of the Council would be which our officers consider would be absorbed within existing Council budgets.

### The budget options

At the Council meeting on 5 January 2025 three options for funding the 2026-27 draft budget were presented which resulted in Council Tax increases ranging from 7.5% (Option 1), through 4.91% (Option 2) and 3.82% (Option 3). The consensus from Members was that they would not wish Council Tax to rise by more than 5%, thus appearing to rule out Option 1. This is shown as appendix D.

A further option was requested for this meeting; one based on an inflation-only increase. The latest inflation rate (RPI – December 2025) was 4.2%. This is shown as Option 4.

Members are requested to approve one of the options in order to send the precept and the Council Tax for 2026-27.

It was noted at the meeting that if the Council had increased the Council Tax in line with inflation during the last five years (RPI October 2019 to October 2025) the Council Tax level in Band D for 2026-27 would be £216.60. Whilst option 1, at £218.63 would exceed that figure options 2 and 3, at £213.35 and £211.15, are both lower.

The RFO has reviewed the adopted Medium-Term Financial Plan (MTFP) to reflect the 2026-27 draft budget, basing inflation from 2027-28 as being 2% per year in-line with current forecasts and a draft of that document, due to be reviewed during 2026-27, is attached as appendix E. Please note that this is a draft and is attached for information rather than

approval. Each of the options presented will have an impact on the MTFP and the totals are shown at the foot of that document. The RFO is of the opinion that each of the options being considered may be prudently accommodated within the MTFP.

If Councillors determine that there should be a lower precept/ Council Tax than that set out in scenario 3, the Council will need to identify adequate and appropriate expenditure savings and/or other sources of income. These could include further increases in service fees and charges, the cessation or diminution of planned services, the sale of investment properties or other significant assets, noting the potential consequential loss of future income, or postponements to capital projects.

If Councillors determine that there should be a higher precept/ Council Tax than set out in the options then Council will not need to make any other detailed changes to its budget.

## **Impact Assessments**

The Town Council has a duty to consider the effects of its decisions, functions and activities on equality, biodiversity, and crime & disorder. Consideration should also be given to effects on the environment, given the Council's Climate Emergency declaration in 2019.

- a) Equality – no implications directly resulting from this report.
- b) Biodiversity - no implications directly resulting from this report.
- c) Crime & Disorder - no implications directly resulting from this report.
- d) Environment & Climate Emergency - no implications directly resulting from this report.

## **Risk**

In decision making Councillors should consider any risks to the Council and any action it can take to limit or negate its liability. The RFO has approached the budget with prudence so as accurate budget as possible can be set at this early stage, although there may be some opportunities to make savings if required to balance the budget.

The provision of regular financial reports is part of the Council's risk management system.

## **Social Value**

Social value is the positive change the Council creates in the local community within which it operates. Social value is not quantified in the financial reports but clearly the creation of social value is dependent on setting adequate budgets to meet the Council's objectives.

## **Financial implications**

This report forms part of the Council's due diligence and a process in line with its Financial Regulations. The financial implications are detailed above and also in the attached appendices.

This report forms part of the Council's mechanisms for budgetary control, as it enables income and expenditure incurred to be reviewed and to be compared with the Council's budgets.

## **Recommendations**

Members are invited to note the report and

1. Adopt the revised budget for 2025/26 as presented.
2. Adopt the budget for 2026/27 as presented and agree its funding, including the amount of precept requested and reserve movements, as recommended in the report of the RFO.

Members are further invited to:

3. Give direction to officers with regard to which option they would wish to adopt (Option A, B or C) in relation to funding in relation to the West Witney Project and delegate authority to the Town Clerk/ CEO to draw down loan and utilise earmarked reserves accordingly.
4. Delegate authority to the Town Clerk/ Chief Executive to opt-to-tax Burwell Hall and to further consider absorbing the additional VAT within the current letting fee.