



Supplement for

OVERVIEW AND SCRUTINY COMMITTEE - TUESDAY, 30 JANUARY 2024

Agenda No	Item
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11.	2024/25 Budget – Fees and Charges Report 3 - 26
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Purpose

The purpose of this report is to present a revised schedule of fees and charges for 2024/25. The report also describes the rationale for the revised charges compared to current charges for 2023/24. Revised charges are presented at Annex A alongside current charges for 2023/24.

Recommendation

That the Overview and Scrutiny Committee scrutinises the report and agrees any recommendations it wishes to submit to the Cabinet meeting on 1 February.

Invited

Councillor Mike Evemy, Deputy Leader and Cabinet Member for Finance
David Stanley, Deputy Chief Executive and Section 151 Officer

12.	Budget and Medium Term Financial Strategy 2024/25 27 - 174
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Purpose

The purpose of this report is to present the budget for 2024/25.

Recommendation

That the Overview and Scrutiny Committee scrutinises the report and agrees any recommendations it wishes to submit to the Cabinet meeting on 1 February.

Invited

Councillor Mike Evemy, Deputy Leader and Cabinet Member for Finance
David Stanley, Deputy Chief Executive and Section 151 Officer

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET - 1 FEBRUARY 2024
Subject	2024/25 FEES AND CHARGES
Wards affected	All
Accountable member	Councillor Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive Email: david.stanley@cotswold.gov.uk
Report author	David Stanley, Deputy Chief Executive Email: david.stanley@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to present a revised schedule of fees and charges for 2024/25. The report also describes the rationale for the revised charges compared to current charges for 2023/24. Revised charges are presented at Annex A alongside current charges for 2023/24.
Annexes	Annex A – Schedule of Fees and Charges
Recommendation(s)	That Cabinet resolves to: <ol style="list-style-type: none"> 1. Endorse the rationale for revising fees and charges as set out in the report; and 2. Approves the implementation of revised fees and charges for 2024/25 as detailed in Annex A from 1 April 2024.
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards • Helping residents and communities access the support they need for good health and wellbeing • Supporting businesses to grow in a green, sustainable manner, and to provide high value jobs
Key Decision	YES
Exempt	NO
Consultees/	The Fees and Charges schedule for 2024/25 has been developed in



Consultation	consultation with the Council's statutory officers, Publica management, Ubico management, and members of the Cabinet. Consultation has been carried out with members of the Overview and Scrutiny Committee, Audit Committee and with the District's residents, businesses and community organisations.
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1. BACKGROUND

- 1.1** The purpose of this report is to present a revised schedule of fees and charges for 2024/25. The report also describes the rationale for the revised charges compared to current charges for 2023/24. Revised charges are presented at Annex A alongside current charges for 2023/24.
- 1.2** With effect from 1 April 2024, it is recommended that many charges are increased by 6.7% to keep pace with general price inflation as measured by the Consumer Prices Index (CPI) for September 2023. This ensures that chargeable services continue to raise additional revenue so as not to place further pressure on the 2024/25 revenue budget.
- 1.3** All proposed charges disclosed in this report are rounded to the nearest 50p, £1, or £5 as appropriate. All charges are also inclusive of VAT where applicable to show the actual price to be paid by the service user.

2. MAIN POINTS

- 2.1** Apart from a small number of exceptions, it is recommended that the following services increase fees and charges by 6.7% with effect from 1 April 2024. Some individual charges will be slightly higher or lower than 6.7% due to rounding (see paragraph 1.3):
- Planning - Pre-Application Fees and Other Discretionary Charges;
 - Street Naming and Numbering of Properties (except for fees paid mainly by residents rather than property developers which will be frozen at 2023/24 levels);
 - Legal Services;
 - Legal and Estates (Property Transactions);
 - Licensing;
 - Animal Warden – Admin charge;
 - Food Health and Safety;
 - Private Water Supply Testing;
 - Cemeteries.
- 2.2** The following services are either freezing charges at 2023/24 levels or proposing an alternative to a 6.7% increase.



- Waste and Recycling – A £7 increase for the Garden Waste Annual Subscription is recommended alongside a 50p increase for refuse sacks and recycling containers. Charges for bulky waste collection remain at 2023/24 levels;
- Building Control – Charges are frozen at 2023/24 levels to ensure compliance with Government regulations for the determination of Building Control fees;
- Local Land Charges – Charges are frozen at 2023/24 levels;
- Section 106 Agreements – Charges will be indexed in line with the BCIS CIL Index (7.3% for 2024) as set out in the report approved by Cabinet on 13 March 2023;
- Car Parking – Charges for 2024/25 were considered in a separate report approved by Cabinet on 11 January 2024;
- Public Conveniences – Charges are frozen at 2023/24 levels.

Fees and Charges Limited by Statute

2.3 Some fees and charges are set or capped by Central Government and are therefore outside of the scope of this report. These include:

- Statutory Planning Application Fees;
- Alcohol and Entertainment Licences;
- Pavement Licences; and
- Charges relating to the Regulation of Pollution from Industrial Sources.

3. CONCLUSIONS

3.1 This report recommends that most chargeable services increase their fees and charges with effect from 1 April 2024. As well as ensuring chargeable services continue to recover a significant proportion of their costs from sales, fees and charges income, the additional revenue that will be generated will make a significant contribution towards balancing the revenue budget for 2024/25.

5. FINANCIAL IMPLICATIONS

5.1 The proposals set out in this report are estimated to generate an additional £197K per annum in income from sales, fees and charges. It is proposed that the revised charges are implemented from 1 April 2024 meaning this additional revenue is fully reflected in the MTFS and Revenue Budget Estimates for 2024/25 (see reports elsewhere on the agenda).



6. LEGAL IMPLICATIONS

- 6.1** Section 93 Local Government Act 2003 gives the local authority a power to charge for discretionary services if the recipient of the service has agreed to provision of that service. This extends to charging for enhancements to a mandatory service. The aim of the power is to recover the costs of a service. Under section 93(3), the local authority is under a duty to secure that from one financial year, the income from charges for services does not exceed the costs of provision. Under Section 93(6), the local authority must have regard to the statutory guidance “*General Power for Best Value Authorities to Charge for Discretionary Services – Guidance on the Power in the Local Government Act 2003*”.

7. RISK ASSESSMENT

- 7.1** The income estimates presented in this report and included within the 2024/25 revenue budget estimates (elsewhere on the agenda) are based on the fees and charges schedule included at Annex A. The estimates assume the proposed increases will not have a material adverse impact on demand. However, should demand be affected by the proposed increases, there is a risk that the proposals set out in this report will not generate income to match the estimates included within the 2024/25 revenue budget.

8. EQUALITIES IMPACT

- 8.1** With regard to the proposals set out in this report (subject to approval), the Equalities Impact has been considered by Members and Officers participating in the development and decision-making process. Potential impacts on those with protected characteristics alongside other groups that experience discrimination have been given due consideration.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1** There are no climate change or ecological emergencies implications.

10. ALTERNATIVE OPTIONS

- 10.1** An alternative option to that presented in this report would be to freeze all fees and charges at 2023/24 levels. However, this option is not recommended for the following reasons:
- Chargeable services would recover a smaller proportion of their costs from service income and would require additional financial support from General Fund resources;
 - Alternative savings proposals would be needed to replace the income to be generated from increased charges and balance the 2024/25 revenue budget (see reports elsewhere on the agenda).

II. BACKGROUND PAPERS

II.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- None

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
BINS AND RECYCLING		
<u>Waste and Recycling</u>		
Garden Waste *		
Annual Subscription (1 April to 31 March)	57.00	64.00
Bins and Recycling Containers *		
Recycling boxes, food waste caddies and recycling bags		
- Collected from Council Office Locations	Free	
- Delivered	5.50	6.00
Five beige council-issue refuse sacks for extra rubbish	6.00	6.50
Bulky Waste Collection *		
Collection of up to three items	27.50	27.50
Collection of more than three items (maximum of six) per item	5.50	5.50
* A 50% reduction in charges apply to those in receipt of Council Tax Support or Housing Benefit		
PLANNING AND BUILDING		
<u>Planning</u>		
Pre-Application Fees and Other Discretionary Charges		
General Advice		
Advice to determine:		
- whether planning permission is required	90.00	96.00
- whether building consent is required	120.00	130.00
- whether a building or structure considered to be curtilage is listed	120.00	130.00
- if a planning condition or s.106 legal agreement clause has been complied with (charge per hour)	60.00	64.00
Provision of straightforward advice to householders	90.00	96.00
Provision of complex advice to householders (including advice relating to development proposals for listed buildings)	600.00	640.00
- additional charge if a site visit is required	90.00	96.00
Supplementary charges:		
- each subsequent hour of officer time above the stated limit (to be agreed in advance)	60.00	64.00
- any subsequent response to further amendments	240.00	255.00
- any subsequent meeting or site visit	180.00	190.00
Minor Development (Level 1)		
- 1 dwelling (including replacement dwellings and holiday let/tourist accommodation)	792.00	845.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
- Provision of up to 200 square metres of floor space for other uses e.g. equestrian/retail/commercial/industrial/mixed development	360.00	385.00
Supplementary charges:		
- each subsequent hour of officer time above the stated limit (to be agreed and paid in advance)	60.00	64.00
- any subsequent response to further amendments	180.00	190.00
- any subsequent meeting or site visit	300.00	320.00
Minor Development (Level 2)		
- 2 to 9 (inclusive) dwellings (including replacement dwellings and holiday let/tourist accommodation)	1,200.00	1,280.00
- Development of less than 0.5 hectares for residential use (if number of dwellings/units is not known)	600.00	640.00
- Provision of 200-1,000 square metres of floor space or 0.5 hectares for other uses (where floorspace not known) e.g. equestrian/retail/commercial/industrial/mixed development	600.00	640.00
- Development of land for other uses e.g. equestrian/retail/commercial/ industrial/mixed development use with a site area of up to 1 hectare	600.00	640.00
- Change of use of land or buildings	600.00	640.00
Supplementary charges:		
- each subsequent hour of officer time above the stated limit (to be agreed and paid in advance)	72.00	77.00
- any subsequent response to further amendments	180.00	190.00
- any subsequent meeting or site visit	300.00	320.00
Major Applications (Level 1)		
- 10 to 199 (inclusive) residential units	2,400.00	2,560.00
- Residential development (where the proposed number of units is not specified), with a site area of 0.5 hectares but less than four hectares	2,400.00	2,560.00
- Provision of 1,000 to 9,999 square metres of floor space for other uses e.g. equestrian/retail/commercial/industrial/mixed development	2,400.00	2,560.00
- Development of land for other uses e.g. equestrian/retail/ commercial/industrial/mixed development with a site area of one hectare or more and less than two hectares	2,400.00	2,560.00
Supplementary charges:		
- each subsequent hour of officer time above the stated limit (to be agreed and paid in advance)	90.00	96.00
- any subsequent response to further amendments	300.00	320.00
- any subsequent meeting or site visit	600.00	640.00
Major Applications (Level 2)		
- 200 or more residential units	4,800.00	5,120.00
- Residential development (where the proposed number of units is not specified) with a site area of four hectares or more	4,800.00	5,120.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
- Provision of 10,000 square metres or more of floor space for other uses e.g. equestrian/retail/commercial/industrial/mixed development	4,800.00	5,120.00
- Development of land for other uses e.g. equestrian/retail/commercial/industrial/mixed development with a site area of two hectares or more	4,800.00	5,120.00
Supplementary charges:		
- each subsequent hour of officer time above the stated limit (to be agreed and paid in advance)	120.00	130.00
- any subsequent response to further amendments	600.00	640.00
- any subsequent meeting or site visit	900.00	960.00
Development Management		
- General Policy Advice (per hour)	180.00	190.00
- General Planning or other related advice not covered above	120.00	130.00
- Assistance with filling in a planning application form or other related planning document	90.00	96.00
- Admin charge for applications not submitted on the Planning Portal i.e postal or email (per application)	30.00	32.00
- Charging for invalid applications (that have not been made valid within 28 days or as indicated/agreed by the Councils validation team)		
Householder Advertisements:	60.00	64.00
Certificates of Lawfulness and Prior notifications:	60.00	64.00
Minor Applications:	120.00	130.00
Major Applications:	240.00	255.00
- Copy of Decision Notice, TPO, Appeal Decision Notice, Enforcement Notices etc (per document)	36.00	38.50
- Copy of S106 Agreement (per document)	60.00	64.00
Charges for paper copies of applications:		
- Charge per whole application should all documents be requested		
Per Householder:	30.00	32.00
Minor Developers:	60.00	64.00
Major Developers:	120.00	130.00
- Charges per plan (per sheet)		
A0:	10.00	10.50
A1:	8.50	9.00
A2:	7.50	8.00
A3:	6.50	7.00
A4:	5.50	6.00
Subsequent Copies A4:	0.50	0.50

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
<u>Building Control</u>		
<u>New Dwellings</u>		
One Dwelling (Total floor area below 300m2)		
- Charge	666.00	666.00
- Building Notice	750.00	750.00
Two or more Dwellings	Price on Application	
<u>Domestic and Commercial Extensions to a Single Building</u>		
<u>Charge</u>		
Erection / Extension of a garage (30m2 to 60m2)	330.00	330.00
Garage conversion to habitable accommodation	270.00	270.00
Loft conversion up to 100m2	576.00	576.00
Loft conversion over 100m2	Price on Application	
Extension up to 20m2	330.00	330.00
Extension 20m2 up to 60m2	270.00	270.00
Extension 60m2 up to 100m2	576.00	576.00
Extension over 100m2	Price on Application	
<u>Building Notice</u>		
Erection / Extension of a garage (30m2 to 60m2)	378.00	378.00
Garage conversion to habitable accommodation	300.00	300.00
Loft conversion up to 100m2	630.00	630.00
Loft conversion over 100m2	Price on Application	
Extension up to 20m2	510.00	510.00
Extension 20m2 up to 60m2	750.00	750.00
Extension 60m2 up to 100m2	1,020.00	1,020.00
Extension over 100m2	Price on Application	
<u>Other Work</u>		
Value: Under £1,000	144.00	144.00
Value: £1,001 to £5,000	258.00	258.00
Value: £5,001 to £10,000	336.00	336.00
Value: £10,001 to £20,000	462.00	462.00
Value: £20,001 to £30,000	654.00	654.00
Value: £30,001 to £40,000	798.00	798.00
Value: Over £40,000	Price on Application	
Electrical installations if not using a competent electrical engineer	Price on Application	
New windows install by non FENSA opp – up to 8 windows	144.00	144.00
New windows install by non FENSA opp – over 8 windows	Price on Application	
Other Services (e.g. completion certificates, advisory work)		
Charge per hour	65.00	65.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
<u>Street Naming</u>		
Naming and numbering of new properties including commercial buildings		
1 to 5 plots (per plot)	75.00	75.00
6 to 25 plots	610.00	650.00
26 to 75 plots	950.00	1,015.00
76 to 150 plots	1,355.00	1,450.00
151 to 250 plots	1,695.00	1,810.00
251 to 350 plots	2,030.00	2,170.00
351 to 500 plots	2,370.00	2,530.00
500 or more plots	2,710.00	2,890.00
Block of flats: up to 20 flats	215.00	230.00
Block of flats: 21-50 flats	300.00	320.00
Block of flats: 51+ flats	400.00	425.00
Additional charges where new street names are required		
1 to 5 new street names	270.00	290.00
6 to 10 new street names	545.00	580.00
10 or more new street names	680.00	725.00
Additional charge where new Court names are required		
Per Court name	160.00	170.00
<u>Other Charges</u>		
Change of address	75.00	75.00
Allocating a name to a property or allocating a number to a named property	75.00	75.00
Change of a commercial building address	75.00	75.00
Change of street name at residents, developers or parish/town council request	430.00	460.00
Plus additional charge per property/unit where consultation with existing residents is to be carried out by the Council	38.00	40.50
Providing a letter of certification (optional - by request only)	25.00	26.50
Charge for a developer amending plans after naming and numbering has commenced (additional plot fee also applies if new plots added)	144.00	155.00
<u>Local Land Charges</u>		
Basic fee for a full local land charges searches	190.00	190.00
LLC1 search only	22.00	22.00
Con29 only	168.00	168.00
Part II CON29O q4 to q22	26.00	26.00
Any additional questions	26.00	26.00
Each parcel of land full search or Con29R and O only	26.00	26.00
Parcels of land, LLC1 only	26.00	26.00
Question 1 to 3.15 CON29R	6.50	6.50

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees		2023/24 Charges £	2024/25 Charges £
<u>Section 106 Agreements</u>			
Registration Charge		500.00	535.00
Monitoring Charges:			
- Fewer than 10 Dwelling Units		500.00	535.00
- 10 to 100 Dwelling Units		1,000.00	1,070.00
- 101 to 250 Dwelling Units		5,000.00	5,370.00
- 251 or more Dwelling Units		10,000.00	10,730.00
<u>Legal Services</u>			
Litigation Fees	Per Hour	230.00	245.00
Section 106 Agreements	Per Hour	230.00	245.00
<u>Legal and Estates (Property Transactions)</u>			
Standard Legal Fees (Minimum) *			
New Commercial Lease		550.00	585.00
Renewal Leases (on agreement with tenant)		110.00	115.00
Deed of Variation (at Tenant request)		275.00	295.00
Licence to Alter		275.00	295.00
Licence to Assign / Underlet		275.00	295.00
Deed of Grant/Release		550.00	585.00
Deed of Surrender		275.00	295.00
Licence for Use		165.00	175.00
Disposal (at other party request)		550.00	585.00
Standard Estates Fees *			
Deed of Variation (at Tenant request)		275.00	295.00
Licence to Alter		275.00	295.00
Licence to Assign / Underlet		275.00	295.00
Deed of Grant/Release		385.00	410.00
Deed of Surrender		275.00	295.00
Letter Licence		55.00	59.00
Licence for Use		165.00	175.00
Disposal (at other party request)		550.00	585.00
Schedule of Condition (fee depends on property size)		110.00 to 550.00	115.00 to 585.00
Combined Legal and Estates Fees *			
New Commercial Lease		550.00	585.00
Renewal Leases (on agreement with tenant)		110.00	115.00
Deed of Variation (at Tenant request)		440.00	470.00
Licence to Alter		440.00	470.00
Licence to Assign / Underlet		440.00	470.00
Deed of Grant/Release		825.00	880.00
Deed of Surrender		440.00	470.00
Letter Licence		55.00	59.00
Licence for Use		330.00	350.00
Disposal (at other party request)		1,100.00	1,170.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Schedule of Condition (fee depends on property size)	110.00 to 550.00	115.00 to 585.00

* Legal and Estates Fee Council Contractors occupying property for service provision
Exclusions: Local Charities
 Community Organisations (Not for Profit)

* The above schedule of Legal and Estates fees excludes VAT. Whether VAT is payable will depend on numerous factors associated with each specific transaction.

Departure from Legal and Estates Fee Schedule

In exceptional circumstances or if it is in the interest of the Council's commercial property portfolio, the Head of Legal Services, in respect of Legal fees or the Assistant Director with responsibility for Assets, in respect of Estates fees, can agree a reduction or waiver of fees, in consultation with the appropriate Cabinet Member whose portfolio includes Property and Assets.

LICENSING

Cosmetic

(Acupuncture, Ear piercing, Electrolysis, Tattooing, semi-permanent skin colouring)

Per premises	133.00	142.00
Per practitioner	52.00	55.00

Hackney Carriage and Private Hire

Hackney Carriage & Private Hire Dual Driver (3 Year)

New Application	288.00	307.00
Renewal	213.00	227.00
Transfer of Private Hire Driver to Dual Driver Licence	56.00	60.00

Hackney Carriage Vehicle

New Application	288.00	307.00
Renewal	213.00	227.00

Private Hire Vehicle

New Application	288.00	307.00
Renewal	213.00	227.00

Private Hire Operator Licence

5 Year - New/Renewal	462.00	493.00
1 Year - New/Renewal	116.00	124.00

Other Charges

Transfer of vehicle licence to another person	26.00	28.00
Transfer of vehicle licence to another vehicle (1 year)	189.00	202.00
Transfer of vehicle licence to another vehicle (remainder of plate)	90.00	96.00
Temporary Vehicle Licence (Insurance Company)	262.00	280.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees		2023/24 Charges £	2024/25 Charges £
Change of Registration Number		90.00	96.00
Knowledge Test		87.00	93.00
Replacement Drivers Badge		29.00	31.00
Replacement External Plate		35.00	37.00
Replacement Internal Plate		29.00	31.00
Vehicle Bracket		10.00	11.00
Administration charge for any other requests		26.00	28.00
Driver Assessment Taxi Test		At Cost	At Cost
Safeguarding Training Course		At Cost	At Cost
Disclosure and Barring Service (DBS) Check		At Cost	At Cost
Enhanced Disclosure and Barring Service (DBS) Certificate		At Cost	At Cost
<u>Animal Licences</u>			
Providing Boarding in Kennels			
Dogs - New Application	up to 50 dogs	311.00	332.00
Dogs - Renewal	up to 50 dogs	265.00	283.00
Dogs - New Application	over 50 dogs	364.00	388.00
Dogs - Renewal	over 50 dogs	318.00	339.00
Cats - New Application	up to 50 cats	311.00	332.00
Cats - Renewal	up to 50 cats	265.00	283.00
Cats - New Application	over 50 cats	364.00	388.00
Cats - Renewal	over 50 cats	318.00	339.00
Providing Day Care for Dogs (does not apply to home environment premises or boarding in kenne			
New Application	up to 50 dogs	311.00	332.00
Renewal	up to 50 dogs	265.00	283.00
New Application	over 50 dogs	364.00	388.00
Renewal	over 50 dogs	318.00	339.00
Breeding of dogs (veterinary fees are additional)			
New Application		404.00	431.00
Renewal		318.00	339.00
Hiring out horses (veterinary fees are additional)			
New Application		462.00	493.00
Renewal		318.00	339.00
Home boarding for dogs (daytime or overnight care within the home environment)			
New Application		311.00	332.00
Renewal		265.00	283.00
Pet Shops/Selling animals as pets			
New Application		311.00	332.00
Renewal		265.00	283.00
Keeping or training animals for exhibition			
New Application		311.00	332.00
Renewal		253.00	270.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Supplementary Animal Activity Fees		
Franchise Licence – Dog Boarding only (1)	115.00	123.00
Host Fee (2)	136.00	145.00
Additional Activity (3)	47.00	50.00
Inspection Fee (4)	126.00	134.00
Re-Rating Fee (5)	131.00	140.00
Variation Fee – e.g. amendment to a licence	26.00	28.00
Dog Breeding/Horse Riding Establishments Recharge Admin Fee	15.00	28.00
Notes:		
(1) Host fees will be required in addition to this licence		
(2) Required per host family of a dog boarding franchise		
(3) Payable in addition to licence fees where more than one activity is undertaken at the same prei		
(4) Payable if an inspection is required in addition to the initial inspection included within the licen		
(5) Inspection and licence amendment for re-rating of the current star rating		
Dangerous Wild Animals		
New Application	387.00	413.00
Renewal	341.00	364.00
Zoos (traditional urban zoos, safari parks, specialist butterfly houses, aquaria)		
New Application With dispensation	1,345.00	1,435.00
Renewal With dispensation	1,819.00	1,941.00
New Application Without dispensation	2,148.00	2,292.00
Renewal Without dispensation	3,026.00	3,229.00
Scrap Metal		
Dealer (Site) licence	462.00	493.00
Collectors' Licence	323.00	345.00
Variation to collectors or dealer (site) licence	69.00	74.00
Street Trading		
Street trading - food	757.00	808.00
Street trading - non food	462.00	493.00
Specialist market e.g. farmers market, Cirencester Christmas market (maximum of two days per month in one location)	897.00	957.00
Prime Sites:		
- Clapton Road, Bourton on the Water	1,507.00	1,608.00
- High Street, Chipping Campden	1,507.00	1,608.00
- Riverside, Lower Slaughter	1,507.00	1,608.00
- High Street, Moreton in Marsh	1,507.00	1,608.00
- The Square, Stow on the Wold	1,507.00	1,608.00
- Lay-by opposite Trout Farm, Bibury	2,079.00	2,218.00
- Market Place, Cirencester (no trading permitted Monday or Friday)	2,079.00	2,218.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Street trading for other time periods:		
Street trading for non-prime site (for consecutive four week period or calendar month)	144.00	154.00
Street trading for up to one calendar month or for a consecutive four week period in the year (for a prime site costing £2,079 annually)	208.00	222.00
Street trading for up to one calendar month or for a consecutive four week period in the year (for a prime site costing £1,507 annually)	152.00	162.00
Specialist market operating in one location for one day per year	289.00	308.00
Specialist market operating for up to seven consecutive days in a year at one location.	405.00	432.00
<u>Gambling Act 2005</u>		
Betting Premises (Excluding Tracks)		
New Premises	2,205.00	2,353.00
Vary Premises	1,103.00	1,177.00
Transfer of premises	882.00	941.00
Reinstatement of premises	882.00	941.00
Provisional statement	2,205.00	2,353.00
New premises with provisional statement	882.00	941.00
Annual fee	439.00	468.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Small Casino		
New Premises	5,880.00	6,274.00
Vary Premises	2,940.00	3,137.00
Transfer of premises	1,323.00	1,412.00
Reinstatement of premises	1,323.00	1,412.00
Provisional statement	5,880.00	6,274.00
New premises with provisional statement	2,205.00	2,353.00
Annual fee	3,675.00	3,921.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Large Casino		
New Premises	7,350.00	7,842.00
Vary Premises	3,675.00	3,921.00
Transfer of premises	1,580.00	1,686.00
Reinstatement of premises	1,580.00	1,686.00
Provisional statement	7,350.00	7,842.00
New premises with provisional statement	3,675.00	3,921.00
Annual fee	7,350.00	7,842.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Regional Casino		
New Premises	11,025.00	11,764.00
Vary Premises	5,513.00	5,882.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Transfer of premises	4,778.00	5,098.00
Reinstatement of premises	4,778.00	5,098.00
Provisional statement	11,025.00	11,764.00
New premises with provisional statement	5,880.00	6,274.00
Annual fee	11,025.00	11,764.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Bingo Premises		
New Premises	2,573.00	2,745.00
Vary Premises	1,286.00	1,372.00
Transfer of premises	882.00	941.00
Reinstatement of premises	882.00	941.00
Provisional statement	2,573.00	2,745.00
New premises with provisional statement	882.00	941.00
Annual fee	735.00	784.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Tracks		
New Premises	1,838.00	1,961.00
Vary Premises	919.00	981.00
Transfer of premises	698.00	745.00
Reinstatement of premises	698.00	745.00
Provisional statement	1,838.00	1,961.00
New premises with provisional statement	698.00	745.00
Annual fee	735.00	784.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Family entertainment Centres		
New Premises	1,470.00	1,568.00
Vary Premises	735.00	784.00
Transfer of premises	698.00	745.00
Reinstatement of premises	698.00	745.00
Provisional statement	1,470.00	1,568.00
New premises with provisional statement	698.00	745.00
Annual fee	551.00	588.00
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
Adult Gaming Centres		
New Premises	1,470.00	1,568.00
Vary Premises	735.00	784.00
Transfer of premises	882.00	941.00
Reinstatement of premises	882.00	941.00
Provisional statement	1,470.00	1,568.00
New premises with provisional statement	882.00	941.00
Annual fee	735.00	784.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Copy of licence	23.00	25.00
Notification of change	37.00	39.00
<u>Caravan and Campsites</u>		
Fee for depositing site rules	40.00	42.50
Application for a new site licence	5 or fewer caravans	336.00
	6 to 24 caravans	453.00
	25 to 99 caravans	540.00
	100 to 199 caravans	626.00
	over 199 caravans	714.00
Annual fee for existing site licence	5 or fewer caravans	282.00
	6 to 24 caravans	373.00
	25 to 99 caravans	466.00
	100 to 199 caravans	544.00
	over 199 caravans	626.00
Transfer/amendment of an existing site licence	86.00	92.00
Administrative and other expenses to serve notice under the Mobile Homes Act 2013	330.00	350.00
<u>Housing in Multiple Occupation (Three-Year Licence)</u>		
Application	288.00	305.00
Licence Issue Fee (if application successful)	394.00	420.00
Total Cost	682.00	725.00
ENVIRONMENT		
<u>Animal Warden</u>		
Statutory Fee	25.00	25.00
Admin charge	82.00	87.00
Kennelling (per day)	At Cost	At Cost
Veterinary fees	At Cost	At Cost
<u>Food Health and Safety</u>		
<u>Export of Food Products</u>		
Food Export Health Certificate (including first hour of officer time)	66.00	70.00
DEFRA Export Health Certificate	126.00	135.00
Officer hourly rate after first hour	46.00	49.00
<u>Other Products and Services</u>		
Food Hygiene Training (E-learning)	35.00	37.50
Safer Food, Better Business Information Pack	17.00	18.00
Food Hygiene Rating Re-visit	198.00	210.00
Condemned Food Certificate	99.00	105.00
SFBB Diary sheets	4.00	4.50

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
<u>Private Water Supplies</u>		
Private Water Supply Services		
Risk assessment (fee per hour)	56.00	60.00
Sampling (each visit, fixed fee), or investigation	110.00	115.00
Granting and Authorisation (fixed fee, plus hourly rate applies)	110.00	115.00
Sampling Analysis		
Taken under Regulation 10	Price on Application	
Taken during Group A monitoring	Price on Application	
Taken during Group B monitoring	Price on Application	
<u>Cemeteries</u>		
For the interment, in a grave including the reopening of a grave		
Of the body of still-born or a child whose age at the time of death did not exceed 16 years	No charge	No charge
Of the body of a person whose age at the time of death exceeded 16 years	860.00	920.00
Charge for extra depth (interment at a depth exceeding seven feet)	380.00	405.00
Additional fee for the interment of a coffin/casket exceeding seven feet two inches long or 32 inches wide	360.00	385.00
Interment of cremated remains in a burial garden, a grave or a vault, in respect of which an exclusive right of burial has been granted	270.00	290.00
Interment of a body part in a grave	360.00	385.00
Exclusive rights of burial - granted for a period of 50 years		
For the exclusive right of burial in an earthen grave nine feet by four feet	1,120.00	1,200.00
For the exclusive right of burial in an earthen grave four and a half feet (grave of a still-born child or a child not exceeding the age of 16 years)	850.00	905.00
For the exclusive right of burial of cremated remains in a burial garden	270.00	290.00
Memorials and inscriptions		
For the right to erect a memorial on an earthen grave in respect of which the exclusive right of burial has been granted (this fee includes the first inscription)	495.00	530.00
For the right to erect a memorial on a cremated remains grave in a burial garden in respect of which the exclusive right of burial has been granted (this fee includes the first inscription)	160.00	170.00
For each inscription after the first / Replacement memorials	105.00	110.00
Other Charges		
For the use of the Chesterton Cemetery Chapel	170.00	180.00
Additional fee for the interment of a coffin outside normal hours	190.00	205.00
Additional fee for the interment of cremated remains outside normal hours	80.00	85.00
To transfer the ownership of exclusive rights of burial	90.00	96.00
For a copy of Deed of Grant for exclusive rights of burial	50.00	53.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees	2023/24 Charges £	2024/25 Charges £
Search of burial fees and/or records covering a period of one year	25.00	26.50
Search of burial fees and/or records covering a period beyond one year	60.00	64.00
Scattering of cremated remains	80.00	85.00

PARKING, TRAVEL AND VISITORS

Car Parking

Season Ticket Charges

Off-Peak - 8am to 10am and 4pm to 6pm		12 Months	55.00	65.00
Off-Peak Plus - 8am to 10am and 4pm to 6pm plus Saturdays and Sundays.		12 Months	75.00	85.00
- Off-Peak Tickets cover all district car parks excluding Market Place Cirencester, Market Square Chipping Campden or The Chipping, Tetbury				
Whiteway Car Park	Mon-Fri 7am to 7pm	3 Months	125.00	125.00
		6 Months	250.00	250.00
		12 Months	500.00	500.00
Abbey Grounds, Cirencester	All Day	3 Months	240.00	280.00
		6 Months	475.00	555.00
		12 Months	950.00	1,110.00
Old Station, Cirencester	All Day	3 Months	165.00	190.00
		6 Months	325.00	380.00
		12 Months	650.00	760.00
Sheep Street, Cirencester	All Day	3 Months	165.00	190.00
		6 Months	325.00	380.00
		12 Months	650.00	760.00
The Waterloo, Cirencester	All Day	3 Months	165.00	190.00
		6 Months	325.00	380.00
		12 Months	650.00	760.00
Old Market Way, Moreton-in-Marsh	All Day	3 Months	120.00	135.00
		6 Months	240.00	275.00
		12 Months	475.00	545.00
Maugersbury Road, Stow-on-the-Wold	All Day	3 Months	120.00	140.00
		6 Months	240.00	275.00
		12 Months	475.00	550.00
West Street, Tetbury	All Day	3 Months	120.00	155.00
		6 Months	240.00	305.00
		12 Months	475.00	610.00

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

			2023/24	2024/25
Service Area/ Description of Fees			Charges £	Charges £
Powells School permit, Abbey Grounds or Waterloo car parks	Mon-Fri 8:30 to 9am and 3pm to 3:40pm	12 Months	48.00	55.00
Season Ticket Refund Administration Fee			15.00	18.00
Off-Street Parking - Pay and Display/Cashless Charges				
Abbey Grounds, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 12pm to 6pm	3 hours	3.90	4.60
		5 hours	5.30	6.20
		10 hours	7.90	9.20
		Sunday	Free	n/a
Beeches, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	10 hours	2.70	3.10
	Sun: 10am to 6pm	Sunday	Free	n/a
		2 days	5.40	6.20
		3 days	8.10	9.30
		4 days	10.80	12.40
		5 days	13.50	15.50
		6 days	16.20	18.60
Brewery, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		Sunday	Free	n/a
Forum, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		Sunday	Free	n/a
Leisure Centre, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		Sunday	Free	n/a

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

			2023/24	2024/25
Service Area/ Description of Fees			Charges £	Charges £
Old Station, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		5 hours	5.30	6.20
		10 hours	7.90	9.20
		Sunday	Free	n/a
Queen Street, Cirencester	Open 7 days inc. overnight		Free	Free
Sheep Street, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 12pm to 6pm	3 hours	3.90	4.60
		5 hours	5.30	6.20
		10 hours	7.90	9.20
		Sunday	Free	n/a
Trinity Road, Cirencester	7am to 7pm weekends and bank holidays only		Free	Free
Waterloo, Cirencester	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		5 hours	5.30	6.20
		10 hours	7.90	9.20
		Sunday	Free	n/a
Old Market Way, Moreton-in-Marsh	Open 7 days inc. overnight	30 minutes	0.70	0.80
	Charges apply:	1 hour	1.00	1.20
	Mon-Sat: 8am to 6pm	2 hours	1.90	2.20
	Sun: 10am to 6pm	10 hours	2.70	3.10
		Sunday	Free	n/a
Fosseway, Stow-on-the-Wold	Open 7 days inc. overnight		Free	Free
Maugersbury Road, Stow-on-the-Wold	Open 7 days inc. overnight	30 minutes	0.80	1.00
	Charges apply:	1 hour	1.70	2.00
	Mon-Sat: 8am to 6pm	2 hours	3.00	3.50
	Sun: 10am to 6pm	3 hours	3.90	4.60
		5 hours	5.30	6.20
		10 hours	7.90	9.20

Cotswold District Council - Discretionary Fees and Charges Schedule (Inclusive of VAT)

Service Area/ Description of Fees			2023/24 Charges £	2024/25 Charges £
Church Street, Tetbury	Open 7 days inc. overnight	30 minutes	0.70	0.80
	Charges apply:	1 hour	1.10	1.50
	Mon-Sat: 8am to 6pm	2 hours	2.10	2.50
	Sun: 12pm to 6pm	3 hours	2.90	3.50
		Sunday	Free	n/a
Old Railyard, Tetbury	Open 7 days inc. overnight		Free	Free
The Chipping, Tetbury *	Open 7 days inc. overnight	1 hour	0.60	*
	Charges apply 8am to 6pm	2 hours	1.50	*
	Mon-Sat	3 hours	2.00	*
		Sunday	Free	*

* Car park not owned by the Council. Charges are determined by the car park owner.

West Street, Tetbury	Open 7 days inc. overnight	30 minutes	0.70	0.80
	Charges apply:	1 hour	1.10	1.50
	Mon-Sat: 8am to 6pm	2 hours	2.10	2.50
	Sun: 10am to 6pm	3 hours	2.90	3.50
		10 hours	3.50	4.50
		Sunday	Free	n/a
Rissington Road, Bourton-on-the-Water	Open 7 days inc. overnight	2 hours	3.50	4.00
	Charges apply:	3 hours	4.40	5.10
	Mon-Sat: 8am to 6pm	5 hours	5.80	6.70
	Sun: 10am to 6pm	10 hours	8.40	9.70

Motorcycle Parking

Free in designated bay

Public Toilets

Bibury, The Street GL7 5NP	0.40	0.40
Bourton on the Water, Church Rooms GL54 2AX	0.40	0.40
Bourton on the Water, Rissington Road GL54 2DR	0.40	0.40
Chipping Campden, Sheep Street GL55 6DX	Free	Free
Cirencester, The Brewery Car Park GL7 1JH	0.40	0.40
Cirencester, Forum Car Park GL7 2PF	0.40	0.40
Cirencester, London Road GL7 1AB	0.40	0.40
Fairford, High Street GL7 4AF	0.40	0.40
Lechlade, Burford Street GL7 3AJ	Free	Free
Moreton in Marsh, High Street GL56 0AH	0.40	0.40
Northleach, Market Place GL54 3EJ	Free	Free
Stow-on-the-Wold, Market Square, GL54 1AB	0.40	0.40
Stow-on-the-Wold, Mangersbury Road Car Park GL54 1HH	0.40	0.40
Tetbury, The Chipping GL8 8ES	Free	Free
Tetbury, West Street GL8 8LL	Free	Free

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 01 FEBRUARY 2024
Subject	2024/25 REVENUE BUDGET, CAPITAL PROGRAMME AND MEDIUM-TERM FINANCIAL STRATEGY
Wards affected	All
Accountable member	Councillor Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report Author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to present the budget for 2024/25.
Annexes	Annex A – Report of the Chief Finance Officer (Section 25 Statement) Annex B – Medium Term Financial Strategy Annex C – Savings Plan Items Annex D – Capital Programme 2024/25 to 2027/28 Annex E – Annual Capital Strategy 2024/25 Annex F – Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2024/25 Annex G – Detailed Revenue Budgets 2024/25 Annex H – Strategy for the Flexible Use of Capital Receipts Annex I – CDC response to the Local Government Finance consultation
Recommendation(s)	Cabinet is requested to consider and approve for recommendation to Council: <ol style="list-style-type: none"> 1. the Medium-Term Financial Strategy set out in Annex B 2. the Savings and Transformation items for inclusion in the budget, set out in Annex C 3. the Council Tax Requirement of £6,596,813 for this Council 4. the Council Tax level for Cotswold District Council purposes of £153.93 for a Band D property in 2024/25 (an increase of £5) 5. the Capital Programme, set out in Annex D 6. the Annual Capital Strategy 2024/25, as set out in Annex E 7. the Annual Treasury Management Strategy and Non-Treasury



	<p>Management Investment Strategy 2024/25, as set out in Annex F</p> <p>8. the Strategy for the Flexible use of Capital Receipts, as set out in Annex H</p> <p>9. the balances and reserves forecast for 2024/25 to 2027/28 as set out in Section 6 of the report.</p> <p>Cabinet is recommended to approve delegation to the Council's Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Finance</p> <p>10. To agree changes to the General Fund Summary arising from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.</p> <p>11. To agree any changes to the General Fund Summary arising from the recommendations to Cabinet made within the Report of the Overview and Scrutiny Committee's Public Conveniences Review Group</p>
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards • Responding to the challenges presented by the climate crisis. • Providing good quality social rented homes • Presenting a local plan that's green to the core. • Helping residents and communities access the support they need for good health and wellbeing. • Supporting businesses to grow in a green, sustainable manner, and to provide high value jobs
Key Decision	YES
Exempt	NO
Consultees/ Consultation	<p>The 2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy has been developed in consultation with the Council's statutory officers, Publica management, Ubico management, and members of the Cabinet. Consultation has been carried out with members of the Overview and Scrutiny Committee and with the District's residents, businesses and community organisations.</p>



COTSWOLD
DISTRICT COUNCIL



1. EXECUTIVE SUMMARY

- 1.1 The budget and Medium-Term Financial Strategy (MTFS) have been prepared in the context of ongoing pressures on the Council's finances.
- 1.2 **A significant budget gap** was identified in the February 2023 MTFS. The indicative position outlined for 2024/25 through to 2026/27 was an unfunded budget gap of £5.053m, as reported to Council in February 2023. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period. With the challenging economic environment, the unfunded budget gap can be expected to have increased over the last 12 months.
- 1.3 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains uncertainty around inflation and interest rates in the current financial year which have an influence over the Council's budget for 2024/25 and the MTFS period both directly and indirectly.
- 1.4 Several local authorities have issued section 114 notices over the last year with Birmingham City Council being the most high-profile along with Nottingham City Council, Woking Borough Council, and Thurrock Council. A section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year. A significant number of other local authorities have indicated they are at risk of issuing a section 114 notice.
- 1.5 **Whilst there is no immediate risk of Cotswold District Council having to consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.**
- 1.6 Uncertainty around Local Government funding from the Government in the later years of the medium-term is a significant risk within the MTFS estimates. The implementation of Local Government Finance reform (formerly known as the Fair Funding Review and changes to the Retained Business Rates system) has already been delayed from the original implementation date of April 2020 until at least April 2025 if not later should a General Election take place in the latter half of 2024. The forecast impact on Shire District Councils is likely to be significant as resources are reallocated across Local Government recognising the Social Care cost and demand pressures.
- 1.7 It is very difficult to estimate with certainty the impact on Cotswold District Council. Fundamental changes to the way in which each Council's needs are assessed and funded are complex and will be challenging to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates over the MTFS period. For the purposes of this report, it has been assumed fundamental changes to local government finance are delayed until 2026/27.



- 1.8** An initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFS assumptions. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government. The impact from the external economic environment on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.
- 1.9** The continued impact on the Council from pressures within the wider economy including inflation and interest rates will have an impact on income and expenditure budgets during 2024/25 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2024/25 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
 - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
 - Cost of services where the Council is exposed to risk sharing in contract costs
 - Energy cost pressures
- 1.10** The Council's budget and MTFS were the subject of a consultation exercise during November and December 2023 with Cabinet considering the feedback from residents in January 2024.
- 1.11** It is proposed that the Council increases Council Tax by the maximum permissible level and will increase Cotswold District Council's Band D rate by £5 (just under 10p per week) from £148.93 to £153.93.
- 1.12** The provisional settlement for 2024/25 was announced on 18 December 2023. With a general election due no later than January 2025 and the impact from inflation and the wider external economic environment it should be seen as a 'roll-over' settlement from 2023/24. It is worth stressing that the settlement only covers the forthcoming financial year with no indication of future funding levels. Significant changes to local government finance have been delayed until at least 2025/26 and it is widely expected that the outcome from the General Election will push the implementation date out further.
- 1.13** The provisional settlement largely confirmed the funding expectations for local government outlined in the Spending Review 2021 and confirmed in the 2023 Autumn Statement.
- It is a one-year settlement for 2024/25.
 - Confirmation of the Council Tax referendum principle of 3% or £5 (whichever is higher) for shire districts and boroughs.



- New Homes Bonus scheme continues for a further year. There is no indication about the future of NHB in 2025/26 and beyond.
- Rural Services Delivery Grant maintained at £95m.
- Significant Social Care Funding – a further increase of £1.0bn over and above the additional funding provided in 2023/24.
- Protection of Core Spending Power (CSP) through the continuation of the Funding Guarantee to ensure all Councils receive a 3% cash increase in resources. With the exception of Fire Authorities, the percentage increase in CSP for Shire Districts was the lowest of all local authority classes at an average of 4.93%.
- Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)
- Revenue Support Grant (RSG) and the Baseline Funding Level (BFL) have been uplifted by 6.62%.
- Services Grant has reduced from £403m to £77m.
- Flexibilities over the use of capital receipts will be extended to March 2030, subject to consultation with the sector.

Publica Review

- 1.14** Human Engine undertook an appraisal of the appropriateness of some services remaining with Publica in response to the Local Government Association Peer Review recommendation. Council approved the recommendations contained with the Human Engine report at their meeting on 22 November 2023.
- 1.15** The report recommended that a significant number of services should move from Publica and return to being under greater control of the councils. This would leave Publica delivering a range of back office services for the Councils.
- 1.16** This represents a fundamentally different future for the councils and for Publica. The Publica of the future will be smaller, leaner, and principally a vehicle for sharing services rather than an entity with its own management, cultural identity, and high-profile brand. Subject to approval of the recommendations of the Human Engine report by West Oxfordshire District Council in early 2024, each of the four councils will then work in partnership to create a phased plan for the transfer of services.
- 1.17** The transition of services from Publica to Council will clearly have a material impact on the Council's resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFS, it is assumed the cost of services will remain within the cost envelope set out over the medium-term.
- 1.18** **It is essential that the Council takes every opportunity to make services as efficient and cost effective as possible and this will be an important element of the Transition Plan and approach**



to service design. Cost pressures must be minimised during the transition plan period to ensure service costs are contained within the financial envelope set out in the MTFS.

- 1.19** To fund the one-off costs of transition, it is recommended that £0.500m is set aside in the Corporate Priority: Publica Review reserve.
- 1.20** Inevitably, there are likely to be workforce planning costs arising from the transfer of services. As the indicative timetable for services to transfer is not yet known, the scale and the timing of workforce planning costs and mitigation measures is difficult to estimate with any certainty. Therefore, it is appropriate to set out the approach the Council will take to financing these costs over the transition period.
- 1.21** To ensure adequate provision is made for the costs and mitigation options over the transition period, the Council must have adequate financial headroom in order to make key decisions on service design. Therefore, it is proposed that the following approach is adopted:
- Ongoing review of vacancies with first call on confirmed underspends to be allocated to the Workforce Planning reserve
 - Flexible use of capital receipts (subject to business case and assessment of wider capital financing implications)
- 1.22** The Publica Review report approved by Council in November 2023 included high-level estimates on the additional cost and mitigation options associated with the return of the majority of services to the Council. The Council is undertaking further and extensive due diligence on the recommendations from the Human Engine review with consideration of workforce planning issues such as employer pension costs, pension liability modelling, TUPE arrangements.
- 1.23** The MTFS has been prepared against the emerging position regarding the Publica Review. The broad assumptions for the purposes of the 2024/25 budget and over the medium term is that service costs remain within the financial envelope set out over the MTFS period.
- 1.24** The Transition Plan will set out in detail the approach to returning services from Publica to the Council including options on timing and service and management structures.
- 1.25** The plan must be cognisant of financial cost associated with service transformation. The MTFS outlines the resources available to the Council – both in terms of ongoing revenue budgets and one-off resources. Whilst the due diligence process is yet to conclude and will be subject to constant review and revision, it is inevitable with a programme of this scale and size that additional costs of change will be identified as services are reviewed and transferred back to the Council.



1.26 The Council has limited one-off funding in the form of revenue and capital reserves. There must be an appropriate balance struck between the use of one-off funding to support the cost of change and supporting the revenue and capital budget and Council priorities over the medium-term.

1.27 Decisions regarding additional costs arising from service redesign and transfer will be subject to business cases that clearly outline how the proposal contributes to the wider outcomes in terms of a cost/benefit assessment (for example, additional cost assessed against the ongoing saving opportunity and payback period). Whilst the governance process for the Transition Plan activities has yet to be finalised, it is recommended this includes consultation and sign-off with the Section 151 Officer to ensure overall project costs are managed, monitored, and reported as part of the quarterly financial performance reports.

1.28 It is important that members are kept apprised on the outcomes from the due diligence and the financial implications as the emerge during the transition period. Although there will be further reports to Cabinet and Council throughout the transition period, it is recommended that the quarterly financial performance reports to Cabinet include timely and relevant financial updates.

Balanced Budget Requirement

1.29 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFS, the Council's budget for 2024/25 and 2025/26 delivers a surplus which will be transferred to the Financial Resilience reserve. However, there is a significant and increasing projected budget gap of £1.595m in 2026/27 and is forecast to increase to £3.588m in 2027/28.

Table ESI – Summary Medium Term Financial Forecast

	2023/24 Original (£'000)	2023/24 Q2 Forecast (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
MTFS Summary						
Net Service Revenue Expenditure	13,625	16,783	15,858	15,858	15,858	15,858
Corporate Items/Non Service Income & Expenditure	(812)	(1,490)	(1,015)	(649)	(50)	24
Transfers to/(from) earmarked reserves	0	(814)	(575)	(642)	(675)	(675)
Provision for Inflation	1,799	0	1,117	1,993	2,694	3,414
Service + Corporate Items	14,611	14,479	15,386	16,560	17,827	18,622
Budget Pressures	762	0	570	615	677	727
Technical Adjustments	0	0	77	77	77	77
Risk Items	500	398	0	0	0	0
Savings and Transformation Plan items	(1,510)	(250)	(2,036)	(2,931)	(3,205)	(3,422)
Draft Net Revenue Budget	14,363	14,627	13,997	14,320	15,375	16,003
TOTAL Funding	(13,503)	(13,503)	(14,500)	(14,632)	(13,780)	(12,414)
Budget Gap / (Surplus)	860	1,124	(504)	(312)	1,595	3,588



- I.30** An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Corporate Strategy and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- I.31** The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium, and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances
- I.32** The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.

Budget Pressures, Inflation and Risk

- I.33** The table below sets out the impact on the Council's budget from demand and inflationary pressures, impact on fees and charges income, and the risk allowance included in the revenue budget and MTFS for major contracts.

Table ES2 – Pressures and Inflation



Item & Summary	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
<u>Budget Pressures</u>				
Expenditure Pressures	300	261	261	261
Income Pressures	270	340	402	452
	570	601	663	713
<u>Technical Adjustments</u>	77	77	77	77
<u>Provision for Inflation & Contract Growth</u>				
Contract Inflation	1,200	2,033	2,704	3,393
Pay Inflation	68	109	140	171
Energy Cost Inflation	(150)	(150)	(150)	(150)
	1,117	1,993	2,694	3,414
	1,764	2,670	3,433	4,204

Savings Plan

- 1.34** To mitigate the budget pressure outlined above and to set a balanced budget for the year, the draft budget included a range of proposed expenditure savings and Fees and Charges increases.
- 1.35** Savings proposals have been reviewed to ensure they are robust and can be delivered. The table below provides a summary of the savings included in the MTFS with Annex C providing further detail.

Table ES3 – Savings

Savings	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Third Party Contract Savings	(150)	(250)	(300)	(300)
Corporate Savings	(196)	(392)	(392)	(392)
Other Expenditure Savings	(913)	(1,263)	(1,263)	(1,263)
Subtotal	(1,259)	(1,905)	(1,955)	(1,955)



Fees and Charges	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Car Parking Fees (Sunday Charging)	(105)	(109)	(113)	(116)
Car Parking Fees (Tariff Change)	(376)	(506)	(611)	(708)
Planning Fees (Statutory)	(100)	(100)	(100)	(100)
Other Fees and Charges - Cost Recovery	(27)	(27)	(27)	(27)
Garden Waste - fee increase	(169)	(283)	(400)	(517)
Subtotal	(777)	(1,026)	(1,251)	(1,468)

Balances and Reserves

- I.36** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves considering the financial risks faced by the Council. The review has considered guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).
- I.37** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- I.38** The review of reserves and balances for the 2023/24 recommended a distinction between the General Fund Balance and Earmarked Reserves.
- I.39** The General Fund Balance has been assessed taking account of the strategic, operational, and financial risks facing the authority and the underlying budgetary assumptions. This includes
- The treatment of inflation and interest rates
 - Level and timing of estimated capital receipts
 - Treatment of demand-led pressures
 - Treatment of planned efficiency savings
 - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, or major capital developments
 - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
 - The general financial climate to which the authority is subject



- I.40** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFs period, the Council must identify and deliver new savings to ensure this reserve is adequate.
- I.41** However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- I.42** A review of the Council Priorities Fund revenue reserve has been undertaken with the recommendation that this is allocated into separate reserves linked to the priorities outlined in the Council's Corporate Plan as indicated below:
- Delivering Good Services
 - Responding to the Climate Emergency
 - Delivering Housing
 - Supporting Communities
 - Supporting the Economy
- I.43** It is recommended that the following reserve balances are established to support the Publica Review outcomes and the ongoing preparation of the Council's Local Plan:
- £0.500m is set aside in the Council Priority: Publica Review reserve to provide adequate funding for the Council's share of the costs arising during the Transition phase. The Council approved the Publica Review report in November 2023 which indicated an initial £0.200m would be set aside from the Council Priorities Fund. As the review and transition is a significant undertaking for Cotswold, Forest of Dean and West Oxfordshire councils, there is a recognition across the councils of the cost of the transition programme and associated external advice that will be required.
 - £0.250m is allocated to the Council Priority: Climate Emergency reserve
 - £0.750m balance is maintained for the Council Priority: Housing Delivery reserve
 - A further £0.500m is allocated to the Council Priority: Local Plan reserve to ensure the next stages of the Local Plan preparation can be delivered in accordance with the timetable set out in the *Cotswold District Local Plan Update* report to Council in January 2024.
 - £0.200m balance is held in the Council Priority: Regeneration/Infrastructure reserve to provide funding for feasibility studies and due diligence around the emerging Cirencester Town Centre Masterplan including support for the Council's Car Park Strategy.
 - £0.200m balance is maintained for the Council Priority: Transformation and Change reserve to provide funding for savings and transformation projects and invest to save initiatives.



- I.44** The Balances and Reserves Strategy recognises the financial risks facing the Council over the MTFS period. A key consideration is to ensure financial resilience and sustainability can be supported through the strategy.
- I.45** Cabinet approved the establishment of 2 reserves during 2023/24 – Treasury Management Risk and Contract Smoothing reserves. Additional earmarked reserves will be established to mitigate specific financial risks.
- Business Rates Risk – to help mitigate the impact of any unexpected reduction in the business rates base and income. It is proposed that in the first instance, any windfall from the Gloucestershire Business Rates Pool is allocated to this reserve.
 - Workforce Planning – to ensure a strategic approach to workforce planning can be delivered
 - Local Government Pension Scheme – to help mitigate the risk of a deficit funding position on the Council’s Local Government Pension scheme at each triennial review period (next review due April 2025)
- I.46** The review of balances and reserves consolidates several existing separate balances into single over-arching reserves that provide a more flexibility for the Council to fund specific one-off costs as they arise, subject to business case and approval limits.
- Asset Management and Property
 - Planning
- I.47** Therefore, the following balances and reserves position is proposed over MTFS period:
- General Fund Balance to be maintained at minimum level of £1.760m
 - Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
 - Council Priorities Fund is allocated to separate reserves to support the priorities outlined in the Corporate Plan.
 - Earmarked reserves to mitigate financial risks are established
 - Allocate £25k to the Member Training earmarked reserve to providing adequate funding for member training and development as recommended by the Corporate Peer Challenge in October 2022 (“Establish a training and development programme for elected members”)
- I.48** If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below indicating changes to the composition of earmarked reserves over the MTFS period.

Table ES4 – Reserves and Balances Forecast



	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
Estimated Reserve balance over MTFS period					
General Fund	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities	(3,093)	(2,693)	(2,293)	(1,893)	(1,893)
Financial Resilience Reserve	(2,328)	(2,831)	(3,143)	(1,548)	0
Financial Resilience Reserve - shortfall (indicative)					2,040
Risk Mitigation	(723)	(1,173)	(1,569)	(1,615)	(1,661)
Ringfenced Earmarked Reserves	(77)	(47)	(47)	(47)	(47)
Other Revenue reserves	(1,020)	(822)	(822)	(822)	(822)
Subtotal Earmarked Reserves	(7,240)	(7,566)	(7,874)	(5,925)	(2,383)
TOTAL GF Balance + Earmarked Reserves	(9,000)	(9,326)	(9,634)	(7,685)	(4,143)

Capital Programme 2024/25 to 2027/28

- 1.49** The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.
- 1.50** The Council has set out its Capital Programme for the period 2023/24 to 2027/28 based on the principles of the current Capital Strategy. This is summarised in Table ES5a below and in further detail in Annex D of this report. A revised capital expenditure budget of £7.512m in 2023/24 is proposed. Total planned capital expenditure fluctuates over the four-year period 2024/25 to 2027/28 with total expenditure estimated at £17.512m.
- 1.51** The capital programme is focussed on delivering against the Council's key priorities with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants.



Table ES5a – Summary Capital Programme

Capital Programme	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	79	1,310	50	550	50	2,039
Housing/Planning and Strategic Housing	4,765	2,289	700	700	700	9,154
Environment	566	1,857	428	5,251	1,820	9,922
ICT, Change and Customer Services	100	350	150	150	150	900
UK Rural Prosperity Fund	191	573	0	0	0	764
UK Shared Prosperity Fund Projects	28	134	0	0	0	162
Land, Legal and Property	567	300	0	0	0	867
Transformation and Investment	1,216	0	0	0	0	1,216
	7,512	6,813	1,328	6,651	2,720	25,024

- 1.52** The capital programme includes investment in the Council's Leisure Centres, supporting the delivery of Housing in the District, responding to the Climate emergency and investment in new waste collection vehicles to support the service.
- 1.53** The Council has been developing an Asset Management Strategy supported by Carter Jonas over the last few weeks. This will include detailed asset management plans and Minimum Efficiency Standards (MES) considerations for the Land and Buildings assets it holds. This will be presented to Cabinet in March 2024 and further developed over 2024/25. The emerging strategy provides a longer-term view of the income and expenditure profiles, tenant events, hold and disposal options.
- 1.54** The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 1.55** At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.
- 1.56** The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval. However, with the current relative high cost of borrowing,



the business cases for new projects will need to be robust, include adequate headroom to cover capital financing costs, and be subject to additional challenge from officers prior to member consideration.

Table ES5b – Summary Capital Financing Statement

	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Financing Statement						
Capital receipts	5,062	5,006	628	1,780	2,020	14,496
Capital Grants and Contributions	1,959	1,732	700	700	700	5,791
Earmarked Reserves	0	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	100	0	0	0	0	100
Community Municipal Investments (CMI)	391	75	0	0	0	466
Prudential Borrowing	0	0	0	4,171	0	4,171
	7,512	6,813	1,328	6,651	2,720	25,024

Conclusions

- I.57** Despite the uncertainties around future levels of Government funding and the impact from the Cost-of-Living crisis and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.
- I.58** The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £1.760m and maintaining other usable reserves to mitigate risk and support improvement.
- I.59** The budget has been prepared in light of the Council Motion of 22 November 2023 on Council Finances.
- I.60** The motion included the following direction to frame the budget and MTFS: *"This Council recognises that it cannot continue to use reserves to balance its revenue budget and therefore instructs the Deputy Leader and Deputy Chief Executive to prepare a budget and Medium Term Financial Strategy that puts funds back into the Financial Resilience Reserve in 2024/25 and 2025/26 by delivering operating surpluses in those years."*
- I.61** The MTFS achieves this outcome with a surplus for 2024/25 and 2025/26. The Council will need to continue to take steps to manage and address the budget gap identified over the MTFS period.
- I.62** The Capital Programme includes planned expenditure £6.813m in 2024/25 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.



- I.63** The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £148.93 per annum to £153.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- I.64** The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.
- I.65** The Council is required balance the budget one year from the next and must deliver an ongoing savings programme – a robust, balanced, and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.
- I.66** Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during the MTFS period. Consideration should be given as part of the year-end procedures for 2023/24 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2024/25.

2. BACKGROUND

- 2.1 A significant budget gap was identified in the February 2023 MTFS.** The indicative position outlined for 2024/25 through to 2026/27 was an unfunded budget gap of £5.053m, as reported to Council in February 2023. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period. With the challenging economic environment, the unfunded budget gap can be expected to have increased over the last 12 months.
- 2.2** Under the Local Government Finance Act 1992 (as amended), the Council is legally required to set a balanced budget for the following financial year and remains in balance. Section 114 of the Local Government Finance Act 1998 requires the Section 151 Officer to report to all Members if there is likely to be unlawful expenditure or an unbalanced budget.
- 2.3** In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains uncertainty around inflation and interest rates in the current financial year which have an influence over the Council's budget for 2024/25 and the MTFS period both directly and indirectly.
- 2.4** Members should consider some of the wider issues facing local government that will inform the 2024/25 revenue and capital budgets and the MTFS.
- 2.5** Several local authorities have issued section 114 notices over the last year with Birmingham City Council being the most high-profile along with Nottingham City Council, Woking Borough Council, and Thurrock Council. A section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year.
- 2.6** Whilst the number of authorities issuing section 114 notices is relatively low (9 notices have been issued by 7 out of 317 local authorities in England since 2018) it is unprecedented to have this many issued in a short space of time.

Section 114 Notices issued	Date
Northamptonshire County Council	02-Feb-2018
Northamptonshire County Council	24-Jul-2018
London Borough of Croydon	11-Nov-2020
London Borough of Croydon	02-Dec-2020
Slough Borough Council	02-Jul-2021
Nottingham City Council	15-Dec-2021
Northumberland Council **	23-May-2022
London Borough of Croydon	22-Nov-2022
Thurrock Borough Council	18-Dec-2022
Woking Borough Council	07-Jun-2023
Birmingham City Council	05-Sep-2023
Nottingham City Council	29-Nov-2023

** relates to unlawful payment

- 2.7** A significant number of other local authorities have indicated they are at risk of issuing a section 114 notice. According to new survey from the Local Government Association
- almost one in five council leaders and chief executives have warned that they could be forced to issue a section 114 notice either this year or next year due to a lack of funding.”
 - Responses were received from 114 chief executives and 71 council leaders with around half are not confident that they will have enough funding to fulfil their legal duties next year. Nearly one in five council leaders believe that it is “fairly or very likely” that they will issue a section 114 report in the next 15 months.
- 2.8** Whilst there is no immediate risk of Cotswold District Council having to consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.
- 2.9** Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2027/28 and the associated budget proposals for 2024/25 for consultation on 02 November 2023. The Council ran an extensive budget consultation process during November and December 2023. The Council used a wide range of communications channels to share the key budget messages and highlight the consultation to as many residents, businesses, and community organisations as possible, encouraging them to take part.
- 2.10** The Council received 542 responses to the consultation, an increase of 153 when compared to the 2023/24 Budget Consultation (389 responses were received).
- 2.11** In January 2024, Cabinet considered feedback from the consultation and has used that feedback to inform this report.
- 2.12** The budget and MTFS have now been updated to reflect the following:
- The Government’s announcement of the Provisional Local Government Settlement 2024/25;
 - The estimated Council Taxbase 2024/25 and the forecast balance on the Collection Fund in respect of Council Tax collection in 2023/24; and
 - Provision for changes which have arisen since 02 November 2023.

Publica Review

- 2.13** In response to the Local Government Association Peer Challenge Review recommendation, Human Engine undertook an appraisal of the appropriateness of some services remaining with Publica with a report presented to Cabinet and Council in November 2023. Council approved the recommendations contained with the Human Engine report at their meeting on 22 November 2023.

- 2.14** The report recommended that a significant number of services should move from Publica and return to being under greater control of the councils. This would leave Publica delivering a range of back office services for the Councils.
- 2.15** This represents a fundamentally different future for the councils and for Publica. The Publica of the future will be smaller, leaner, and principally a vehicle for sharing services rather than an entity with its own management, cultural identity, and high-profile brand. Subject to approval of the recommendations of the Human Engine report by West Oxfordshire District Council in early 2024, each of the four councils will then work in partnership to create a phased plan for the transfer of services.
- 2.16** The transition of services from Publica to Council will clearly have a material impact on the Council's resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFS, it is assumed the cost of services will remain within the cost envelope set out over the medium-term.
- 2.17** **It is essential that the Council takes every opportunity to make services as efficient and cost effective as possible and this will be an important element of the Transition Plan and approach to service design. Cost pressures must be minimised during the transition plan period to ensure service costs are contained within the financial envelope set out in the MTFS.**
- 2.18** To fund the one-off costs of transition, it is recommended that £0.500m is set aside in the Corporate Priority: Publica Review reserve.
- 2.19** Inevitably, there are likely to be workforce planning costs arising from the transfer of services. As the indicative timetable for services to transfer is not yet known, the scale and the timing of workforce planning costs and mitigation measures is difficult to estimate with any certainty. Therefore, it is appropriate to set out the approach the Council will take to financing these costs over the transition period.
- 2.20** To ensure adequate provision is made for the costs and mitigation options over the transition period, the Council must have adequate financial headroom in order to make key decisions on service design. Therefore, the recommended approach is to increase the availability of one-off revenue and capital resources through:
- Effective resource management – ongoing vacancy management with confirmed underspends allocated to the Workforce Planning reserve.
 - Application of capital receipts to qualifying expenditure (e.g., cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation) in accordance with the Council's policy on the Flexible use of capital receipts.
- 2.21** The Publica Review report approved by Council in November 2023 included high-level estimates from Human Engine on the additional cost and mitigation options associated with

the return of the majority of services to the Council. The Council is undertaking further and extensive due diligence on the recommendations from the Human Engine review with consideration of workforce planning issues such as employer pension costs, pension liability modelling, TUPE arrangements.

- 2.22** The MTFS has been prepared against the emerging position regarding the Publica Review. The broad assumptions for the purposes of the 2024/25 budget and over the medium term is that service costs remain within the financial envelope set out over the MTFS period.
- 2.23** The Transition Plan will set out in detail the approach to returning services from Publica to the Council including options on timing and service and management structures.
- 2.24** The plan must be cognisant of financial cost associated with service transformation. The MTFS outlines the resources available to the Council – both in terms of ongoing revenue budgets and one-off resources. Whilst the due diligence process is yet to conclude and will be subject to constant review and revision, it is inevitable with a programme of this scale and size that additional costs of change will be identified as services are reviewed and transferred back to the Council.
- 2.25** The Council has limited one-off funding in the form of revenue and capital reserves. There must be an appropriate balance struck between the use of one-off funding to support the cost of change and supporting the revenue and capital budget and Council priorities over the medium-term.
- 2.26** Decisions regarding additional costs arising from service redesign and transfer will be subject to business cases that clearly outline how the proposal contributes to the wider outcomes in terms of a cost/benefit assessment (for example, additional cost assessed against the ongoing saving opportunity and payback period). Whilst the governance process for the Transition Plan activities has yet to be finalised, it is recommended this includes consultation and sign-off with the Section 151 Officer to ensure overall project costs are managed, monitored, and reported as part of the quarterly financial performance reports.
- 2.27** It is important that members are kept appraised on the outcomes from the due diligence and the financial implications as they emerge during the transition period. Although there will be further reports to Cabinet and Council throughout the transition period, it is recommended that the quarterly financial performance reports to Cabinet include timely and relevant financial updates.

Local Government Finance Policy Statement and Settlement 2024/25

- 2.28** The Local Government Finance policy statement was published on 05 December 2023 that set out the Government's intentions for the local government finance settlement for the

forthcoming financial year. The policy statement builds on the proposals for 2024/25 outlined last year providing additional details of the upcoming Settlement. In the absence of a multi-year finance settlement, the policy statement provides councils with greater certainty on key aspects of funding to support budget setting and financial planning for the future.

- 2.29** The statement confirmed the Council Tax referendum principles for 2024/25 and a continuation of the existing New Homes Bonus scheme for a further year. The statement made no reference to the Extended Producer Responsibility for packaging (EPR) scheme which was due to be introduced from April 2024 but has been deferred for a year.
- 2.30** Whilst the policy statement was helpful and provided an indication of the financial settlement for 2024/25, it did not provide indicative allocations at local authority level.
- 2.31** The provisional settlement for 2024/25 was announced on 18 December 2023. With a general election due no later than January 2025 and the impact from inflation and the wider external economic environment it should be seen as a 'roll-over' settlement from 2023/24. It is worth stressing that the settlement only covers the forthcoming financial year with no indication of future funding levels. Significant changes to local government finance have been delayed until at least 2025/26 and it is widely expected that the outcome from the General Election will push the implementation date out further.
- 2.32** The Government's 4-week consultation on the settlement closed on 15 January 2024 with the Council's response included in Annex I. The final settlement was announced on 24 January 2024. This report has been prepared based on figures contained within the provisional local government finance settlement and are not expected to change.
- 2.33** The provisional settlement largely confirmed the funding expectations for local government outlined in the Spending Review 2021 and confirmed in the 2023 Autumn Statement.
- It is a one-year settlement for 2024/25.
 - Confirmation of the Council Tax referendum principle of 3% or £5 (whichever is higher) for shire districts and boroughs.
 - New Homes Bonus scheme continues for a further year. There is no indication about the future of NHB in 2025/26 and beyond.
 - Rural Services Delivery Grant maintained at £95m.
 - Significant Social Care Funding – a further increase of £1.0bn over and above the additional funding provided in 2023/24.
 - Protection of Core Spending Power (CSP) through the continuation of the Funding Guarantee to ensure all Councils receive a 3% cash increase in resources. With the exception of Fire Authorities, the percentage increase in CSP for Shire Districts was the lowest of all local authority classes at an average of 4.93%.
 - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)

- Revenue Support Grant (RSG) and the Baseline Funding Level (BFL) have been uplifted by 6.62%.
- Services Grant has reduced from £403m to £77m.
- Flexibilities over the use of capital receipts will be extended to March 2030, subject to consultation with the sector.

Table I – Core Spending Power

	2022/23 (£'000)	2023/24 Final (£'000)	2024/25 Draft MTFS (£'000)	2024/25 Prov ⁿ (£'000)	Change from 2023/24 (£'000)
Core Spending Power					
Settlement Funding Assessment	1,879	2,083	2,091	2,156	73
Compensation for under-indexing the business rates multiplier	192	332	332	416	84
Council Tax Requirement excluding parish precepts	6,129	6,356	6,599	6,550	193
Improved Better Care Fund	0	0	0	0	0
New Homes Bonus	810	290	215	287	(3)
New Homes Bonus returned funding	0	0	0	0	0
Rural Services Delivery Grant	632	707	707	707	0
Transition Grant	0	0	0	0	0
Adult Social Care Support Grant	0	0	0	0	0
Winter Pressures Grant	0	0	0	0	0
Social Care Support Grant	0	0	0	0	0
Social Care Grant	0	0	0	0	0
Market Sustainability and Fair Cost of Care Fund	0	0	0	0	0
Lower Tier Services Grant	1,435				
Funding Guarantee		1,988	2,235	2,226	237
Services Grant	129	76	76	12	(64)
Core Spending Power	11,206	11,833	12,254	12,353	521

2.34 The Table above shows an increase in Core Spending Power of £0.521m (4.40%) and includes an increase in the level of Council Tax and in the Taxbase. The provisional settlement represents a £0.099m increase over the level assumed in the Draft MTFS.

2.35 The policy statement and settlement included reference to the level of local authority reserves with a view that the level of reserves should be reviewed and where possible released to support local service delivery.

- The Government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.

2.36 The Council holds earmarked reserves for specific purposes. Members should consider the wider Reserves and Balances Strategy (as set out in Section 6 of this report) as there may be competing demands:

- maintaining financial sustainability over the MTFS period and balanced budget requirement

- mitigating financial and demand-led risks
- providing funding for council priorities and planned future expenditure.
- one-off funding to help maintain or enhance service provision.

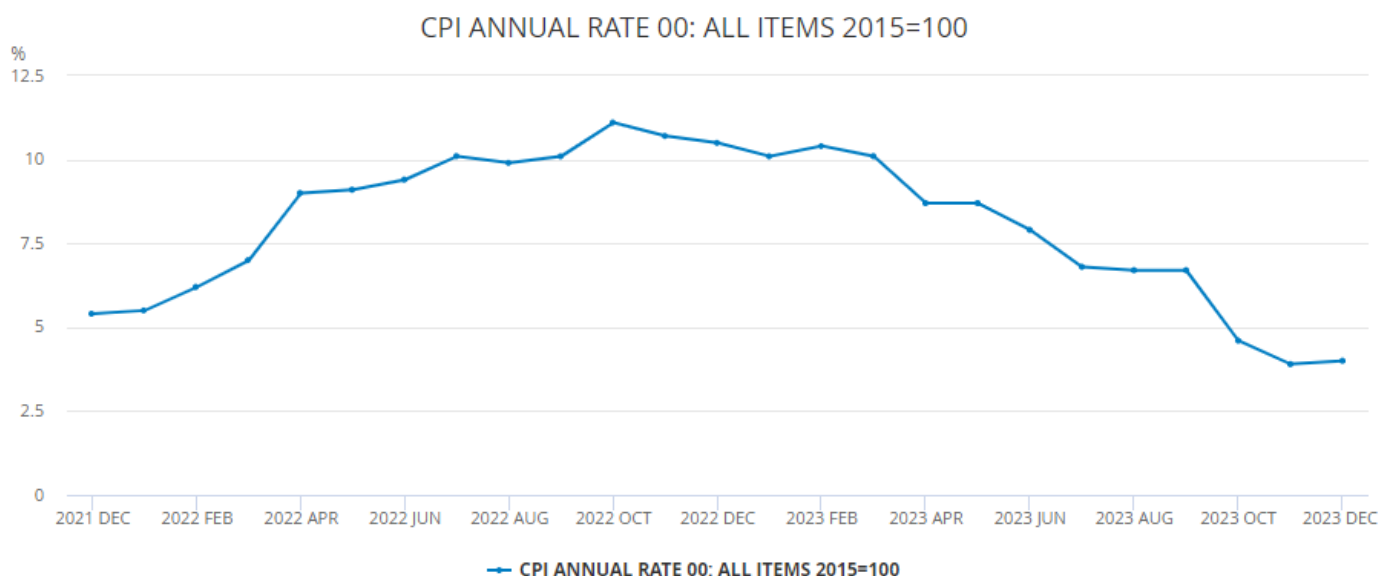
2.37 The updated MTFS includes provision of a risk-based General Fund balance of £1.760m being the minimum expected level for total working balances.

3. EXTERNAL ECONOMIC ENVIRONMENT

3.1 As reported to Cabinet during 2023/24, there are a number of external economic pressures on the Council that will have a material impact on the 2024/25 budget and MTFS.

Inflationary Pressures

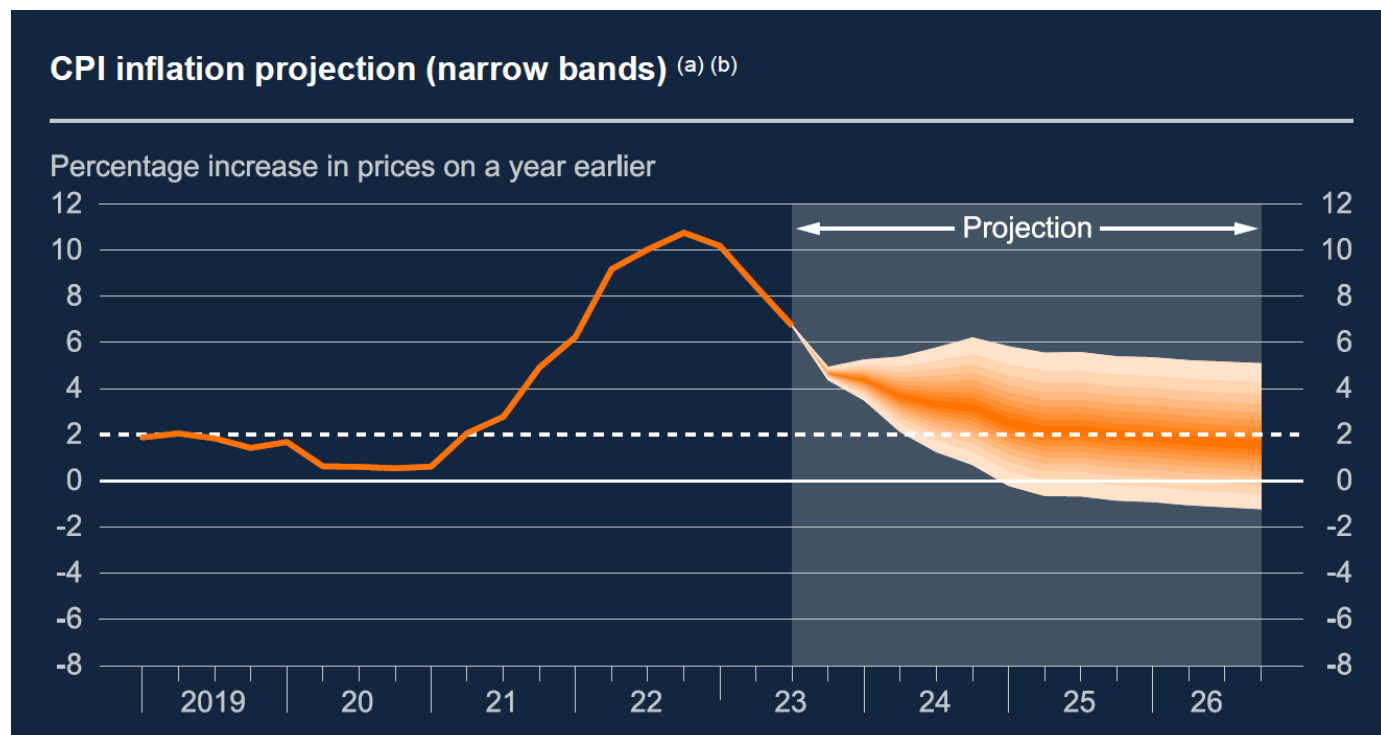
3.2 The level of inflation, as measured by the Consumer Prices Index, for December 2023 is 4.0% (up from 3.9% in November 2023). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 5.2% (5.3% in November 2023). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) remained at 5.1% (5.1% in November 2023). Whilst prices of food and beverages reduced this was offset by the impact of increased fuel prices. It is this measure that has concerned the Bank of England and led to increases in interest rates during the current year.



3.3 Although general inflation has reduced since the start of the calendar year, the Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI.

3.4 The forecast for inflation is for a return towards the Bank of England's target of 2.0% (CPI) although it is worth noting recent commentary suggesting the bank should consider revising

the target to 3.0%. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (November 2023).

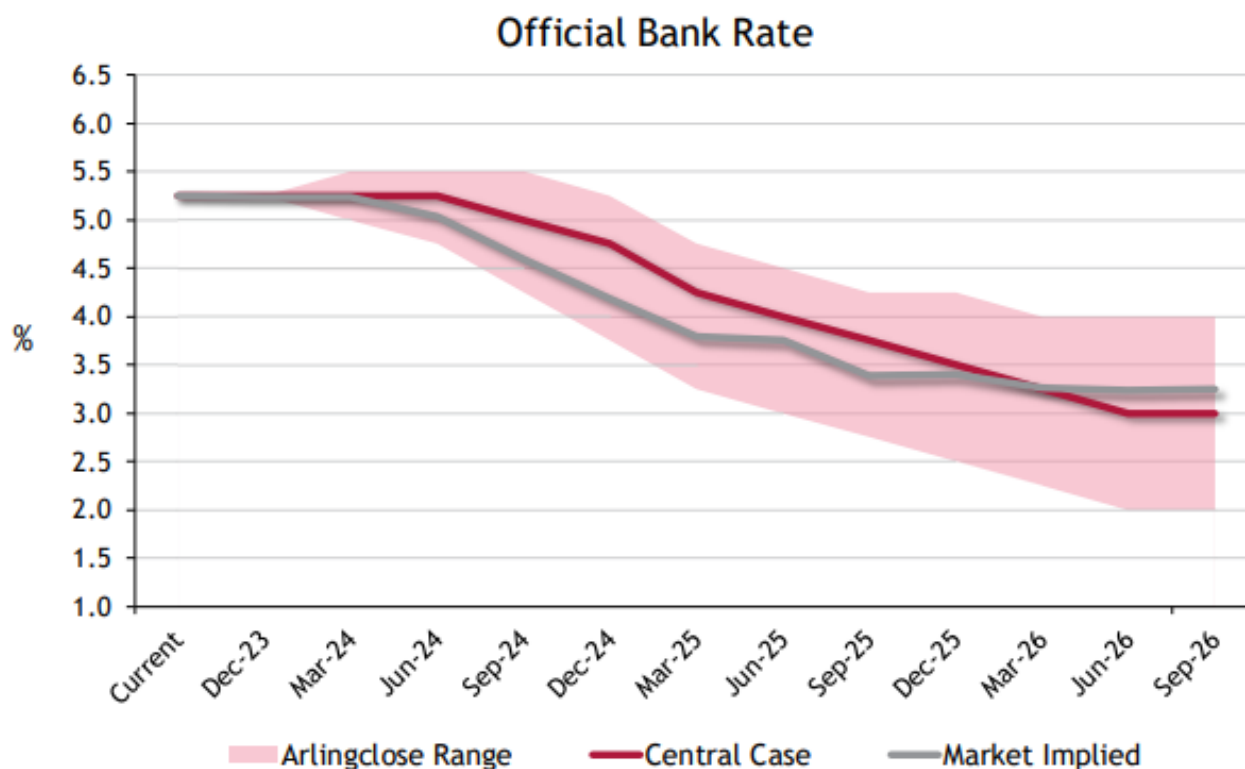


- 3.5** The continuation of elevated levels of inflation throughout the year and the Bank of England's forecast over the medium-term will need to be taken into account when assessing the impact on 2024/25 revenue and capital budgets.

Interest Rates

- 3.6** The Bank of England has increased interest rates fourteen times since December 2021 to mitigate inflationary pressures with the last increase of 0.25% taking the base rate to 5.25% on 04 August 2023. The MPC voted to maintain rates at 5.25% at their latest meeting on 14 December 2023. The council's treasury management advisors believe this is the peak for the bank rate. The next MPC meeting is scheduled for 01 February 2024 with dates now agreed for 2024.

Confirmed Date	
Thursday 01 February 2024	February Monetary Policy Report
Thursday 21 March 2024	
Thursday 09 May 2024	May Monetary Policy Report
Thursday 20 June 2024	
Thursday 01 August 2024	August Monetary Policy Report
Thursday 19 September 2024	
Thursday 07 November 2024	November Monetary Policy Report
Thursday 19 December 2024	



- 3.7** To support the Capital Programme, the Council may need to undertake borrowing during the current financial year although this is dependent on several factors. With PWLB interest rates remaining relatively high compared to the previous 12 years, this will impact the expenditure required to service any borrowing the Council undertakes.
- 3.8** The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). This is not unique to Cotswold District Council with reports in specialist press (e.g., Public Finance) of Councils shelving or scrapping planned capital projects as other costs continue to rise and/or the need to find savings to balance the budget.
- 3.9** With interest rates expected to remain high during the forthcoming financial year, the Council will need to ensure capital expenditure and capital financing decisions are made ‘in the round.’ This will ensure that existing and new capital schemes are not considered in isolation and are

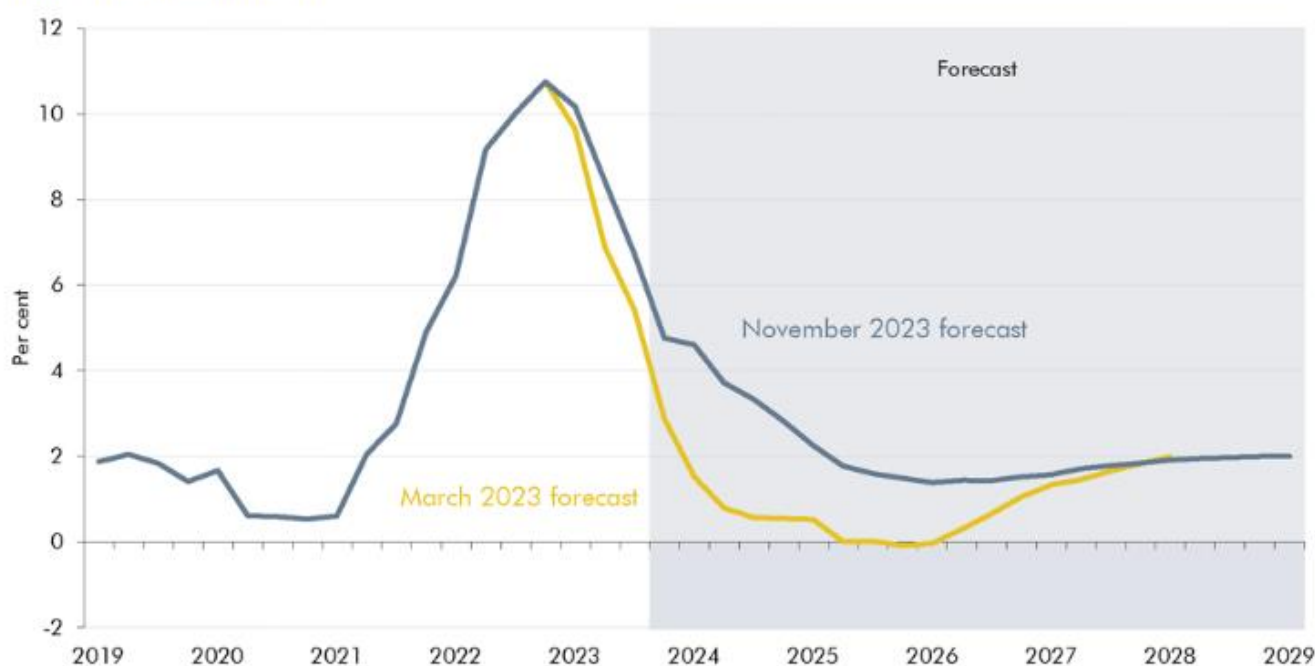
prioritised against the Council's Corporate Plan and reference to affordability and deliverability.

Economic Outlook

3.10 The Office for Budget Responsibility published their economic and fiscal outlook in November 2023. The key observations and forecasts outlined in the report were:

- The economy recovered more fully from the pandemic and weathered the energy price shock better than anticipated.
- Expect inflation to remain higher for longer, taking until the second quarter of 2025 to return to the 2 per cent target, more than a year later than forecast in March (See Chart 1.1 below from the OBR publication).
- More persistent inflation means markets expect interest rates to be more than a full percentage point higher than we assumed in March.
- Revised down our estimate of the medium-term potential growth rate of the economy to 1.6 per cent, from 1.8 per cent in March.
- Slower growth from a higher starting point means that, in our central forecast, the level of real GDP in 2027 is only 0.6 per cent higher than March.
- In our central forecast, unemployment rises to 1.6 million people (4.6 per cent of the labour force) in the second quarter of 2025.
- Living standards, as measured by real household disposable income (RHDI) per person, are forecast to be 3½ per cent lower in 2024-25 than their pre-pandemic level.

Chart 1.1: CPI inflation



Source: ONS, OBR

4. 2023/24 REVENUE BUDGET

- 4.1** The original net revenue budget for 2023/24 was £14.363m. Cabinet has considered the forecast outturn position during the year with the last forecast outturn position of £14.626m reported in the Financial Performance Report – Q2 2023/24. This highlighted a forecast adverse variation of £0.263m against the budget as reported at the time.
- 4.2** The MTFS has assumed that £0.861m of the Financial Resilience reserve will be required in the current year to achieve a balanced position at year end based on the estimate included in the Draft Budget and Medium-Term Financial Strategy considered by Cabinet in November 2023. This assumes that the revenue position, as reported in Q2, improves to a net nil variance by the end of the financial year.
- 4.3** Given the level of uncertainty in the forecast outturn position, largely due to the external economic environment, service budgets have not been revised for the current financial year.
- 4.4** The Q3 forecast will be considered by Cabinet at their meeting in March 2024 and should be viewed as a draft outturn position. Should there remain an adverse outturn forecast, in the absence of mitigating cost reductions or savings the remaining overspend will need to be funded from the Financial Resilience reserve to achieve a balanced position.

5. MEDIUM TERM FINANCIAL STRATEGY 2024/25 TO 2027/28

- 5.1** As stated earlier in the report, budget and MTFS have been prepared in the context of ongoing pressure on the Council's finances. The impact from the external economic environment on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.
- 5.2** Cabinet considered the *2024/25 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update* report [\[2024/25 Budget report to Cabinet, November 2023\]](#) at their meeting in November 2023. The report set out the broad approach for the 2024/25 budget and several draft revenue budget proposals and indicative estimates of funding.
- 5.3** This report updates the estimates and budget proposals following the budget consultation process in November and December 2023 and the Provisional Local Government Finance Settlement published on 18 December 2023 (as set out in Section 2 of the report).
- 5.4** Service budgets have been updated for 2024/25, along with forecasts of Corporate Income and Expenditure budgets. Given the volatility in the economy and uncertainty around future prices, inflationary provision has been included as a separate item and assumes:

- Pay inflation of 5% (Publica) and 6% (Ubico) an assumption of the impact of pay increments.
- Price inflation on major contracts (Publica and Ubico), utilities, and IT costs (in-line with the approach set out in the Budget Strategy). Additional inflationary provision has been made in the budget and across the MTFS period recognising energy price rises.

5.5 Fees and Charges have been reviewed in accordance with the agreed approach of cost recovery with the 2024/25 Fees and Charges report at this meeting of Cabinet setting out in detail the fees and charges proposed for 2024/25. This report has been prepared on the basis of the proposed fees being approved by Cabinet.

5.6 An increase of £0.196m has been reflected in fees and charges that have been subject to review or increased in-line with the September 2023 CPI inflation rate of 6.7%. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.

Budget Pressures

5.7 The table below provides an overview of the material service budget changes by service area and a brief outline of the reason for the budget change. For the purposes of this report, a material change is considered to be +/- £20k. There are likely to be several factors behind a net change in each budget line set out in Annex G – impact of inflation, changes in income projections, virements between different cost centres within a service area.

5.8 Income pressures have been grouped in the table and have been included as a budget pressure due to the shortfall in income or where there is a technical change to funding.

Table 2 – Budget Pressures and Technical Adjustments

Item & Summary	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Budget Pressures				
2023/24 External Audit scale fee increase (151%)	41	41	41	41
Chipping Campden Dual Use	14	14	14	14
Planning & Strategic Housing	10	10	10	10
Property & Estates - Business Rates	70	70	70	70
Other Service cost pressures <£20k	38	24	24	24
Environmental Services	78	78	78	78
Legal Services - Case Management System and Admin	23	23	23	23
Homelessness Officer	26	0	0	0
Income Pressures				
2024/25 Income Pressures - Building Control	100	100	100	100
2024/25 Income Pressures - Land Charges	60	60	60	60
Commercial Property Income - reduced expectations	110	180	242	292
TOTAL	570	601	663	713

Item & Summary	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Technical Adjustments - Prior year reversals				
Publica Contract adjustments	141	141	141	141
Publica - deletion of Non-Establishment posts	(170)	(170)	(170)	(170)
Publica - Transfer of responsibility to CDC	(85)	(85)	(85)	(85)
Publica - Transfer of responsibility to CDC	85	85	85	85
Reversal of income target for CFEU	105	105	105	105
TOTAL	77	77	77	77

5.9 Budget Pressures have been reviewed, challenged, and validated and only included in the MTFS where there is a clear business need or a wider strategic requirement to invest in service delivery. Budget Pressures can broadly be categorised as the follows:

- Unavoidable cost pressures: External Audit scale fee increase
- Inflation-led cost pressures: Chipping Campden Leisure Centre, SWAP Audit Fees
- Agreed Service Investment with Publica: Homelessness
- Technical Adjustments (reflecting changes in budget allocation between Publica and the Council and other corrective adjustments): Counter Fraud and Enforcement Unit
- Income pressures: Building Control, Land Charges

- 5.10 As part of the wider review of service budgets, a number of income pressures have been identified, largely where the current income budget is forecast to be unachievable due to changes in behaviour or demand.

Inflation

- 5.11 The main budget pressure facing the Council over the MTFS period is inflation. The MTFS includes provision for inflation major contracts (Publica and Ubico). Provision has also been made for the annual pay award either directly (for Council officers and Members) or indirectly through the Publica and Ubico contracts. Energy prices have reduced significantly from their peak in 2022 with a 50% reduction in the inflationary provision.
- 5.12 The inflation rate has fallen from its 41-year high of 11.1% in October 2022, although not as sharply as was forecast. The Office for Budget Responsibility outlined their expectations for inflation in their November 2023 report:
- **Gradual reduction:** we now expect inflation to fall more gradually over the next few years. Our central forecast sees CPI inflation at around 4.8 per cent in the final quarter of 2023, 1.9 percentage points above the March profile. Domestic factors drive most of the upward revision, particularly higher nominal earnings growth outweighing the effect of lower energy prices. We forecast inflation to hit the 2 per cent target in the second quarter of 2025, about a year later than we forecast in March. It then dips below target in the middle of the forecast, driven by further falls in energy costs, along with increasing spare capacity in the economy, which reduces inflationary pressure on non-tradables inflation then returns to target by the forecast horizon.
 - **Inflation risk remains:** risks around the outlook for inflation remain high, given both domestic and international uncertainty. The OBR fan chart of potential inflation outcomes is normally constructed using historic forecast errors since 2003. This method suggests fairly contained risks to our projections, with only a 1 in 3 chance that inflation will be above 3 per cent in 2025. But this method understates the risks in the OBR's current forecast. Since 2020, the economy has undergone a series of major shocks from the pandemic and then the Russian invasion of Ukraine. Some of the forecast errors due to these shocks fell well outside the OBR's historic distribution. The current conflict in the Middle East poses a significant risk to the outlook for global energy prices. And more upward surprises to wage settlements represent a key domestic risk to the inflation outlook.
 - **Lower energy prices.** The OBR's March inflation forecast was driven by a sharp increase in the cost of imported energy. Gas prices are now expected to be around 36 per cent lower by the end of 2023 than in the OBR's March forecast. By 2027-28, the gap is still 26 per cent. This puts downward pressure on 'imported' energy inflation.
 - **Stronger second-round effects from the energy shock.** The OBR now estimate that the knock-on effect of energy costs on wider prices has been almost 50 per cent of their direct contribution to CPI inflation (rather than the 25 per cent assumed since the March 2022 forecast). So, this pushes up 'domestic' inflation by more than in the OBR's previous forecasts.

- **Less economic slack relative to March.** The OBR judge that the economy was operating around 0.5 per cent above its capacity in the second quarter of 2023. This is well ahead of the 1.3 per cent negative output gap we expected in March. A higher degree of excess demand in the first years of the forecast drives earnings and profits higher. Compared to March, the OBR expect nominal earnings to be up 1.3 per cent by end-2023 and up 3.8 per cent by 2027-28

5.13 The main cost pressure facing the Council is the Pay Award which has been forecast at a higher level than previously assessed across the MTFS period recognising the wider drivers of inflation outlined above. The table below sets out the forecast for inflation over the MTFS period. Clearly, there remains significant uncertainty with risk around the level and extent of inflation provision made.

Table 3 – Inflation Forecast (Office for Budget Responsibility, November 2023)

		OBR Forecasts, November 2023				
	Dec-23	2023/24	2024/25	2025/26	2026/27	2027/28
Consumer Prices Index (CPI)	4.7%	6.1%	3.0%	1.6%	1.8%	1.9%
Retail Prices Index (RPI)	6.1%	8.3%	4.3%	2.4%	2.6%	2.8%

5.14 The table below sets out the cash and percentage provision made within the MTFS for major contracts, energy costs and the Pay Award.

Table 4 – Inflation Provision included in the MTFS

Budget Element	2023/24 Final Budget (£'000)	2024/25 Inflationary provision (£'000)	2024/25 Inflation (%)
Ubico Contract			
Employment Costs	4,800	373	7.78%
Vehicle Costs	1,366	(88)	-6.43%
Other contract costs	2,254	33	1.47%
Subtotal	8,420	318	3.78%
Publica Contract	10,823	516	4.77%
CDC Pay Inflation - Officers	589	33	5.56%
CDC Pay Inflation - Members	319	35	11.00%
	20,151	902	4.48%

Note – Table above shows the revised budget for 2023/24 after Pay Award (£8.420m) whereas next table shows the originally agreed budget for 2023/24 (£8.281m)

5.15 As can be seen from the tables above, contract costs for Ubico and Publica are subject to persistent inflationary cost pressures for 2024/25. Ubico contract costs will increase from £8.4m in 2023/24 to £8.7m in 2024/25 (around 5.5%). This is a mix of inflationary cost increases (Pay, Fuel costs) and revisions to service costs reflecting changes in waste streams and volumes.

Table 5a – Ubico Contract Costs

Ubico Services	2023/24 Ubico Contract (£'000)	2024/25 Ubico Contract (£'000)	Change (£'000)	Change (%)
GM - Car Parks	63	71	8	11.96%
GM - Cemetery, Crematorium and Churchyards	175	196	21	11.96%
Garden Waste Collection	1,316	1,420	104	7.92%
Household Waste	1,623	1,720	96	5.94%
Recycling	2,935	3,087	152	5.17%
Refuse / Recycling Organic & Food Waste	686	661	(25)	(3.68%)
Street Cleaning	1,466	1,566	100	6.83%
GM - Trinity Road, Offices	16	18	2	11.96%
Grand Total	8,281	8,738	458	5.52%

Table 5b – Multi-Service Gross and Net Cost

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Ubico Contract (£'000)	Other Service Costs (£'000)	Gross Service Cost (£'000)	Service Income (£'000)	Net Service Cost (£'000)
Bulky Household Waste	0	73	73	(79)	(6)
GM - Car Parks	71	0	71	0	71
GM - Cemetery, Crematorium and Churchyards	196	0	196	0	196
Garden Waste Collection	1,420	46	1,467	(1,465)	2
Household Waste	1,720	164	1,884	(24)	1,860
Recycling	3,087	466	3,553	(1,106)	2,447
Refuse / Recycling Organic & Food Waste	661	0	661	0	661
Street Cleaning	1,566	44	1,610	0	1,610
GM - Trinity Road, Offices	18	0	18	0	18
Grand Total	8,738	793	9,531	(2,673)	6,859

5.16 As shown in Table 4, the inflationary element of the contract price with Publica for the provision of Council Services has increased from £10.8m to £11.3m. This has been estimated on the basis of the Local Government Pay Award for 2024/25 being 5%. Other changes to the contract cost are included in the MTFS as Budget Pressures or Savings.

5.17 Energy prices have decreased significantly since the start of the financial year. The Council is part of a wider procurement position with Cheltenham, Forest of Dean and West

Oxfordshire Councils with an energy broker providing an assessment of price risks and mitigation measures. Based on the latest forecast and a price-risk mitigation strategy, the decrease for 2024/25 is estimated at £0.150m. With the level of uncertainty prevalent in the energy market updated forecasts will be included in the regular quarterly financial and performance monitoring reports to Cabinet.

Risk Items

- 5.18** The 2024/25 Budget and MTFS includes two budget items to ensure the General Fund is not exposed to undue risk from contract inflation, procurement risk, and fees and charges income fluctuations.
- 5.19** £0.200m has been maintained as a contingency budget to mitigate the risk inflationary pressure on the key Publica and Ubico contracts and to provide some budgetary headroom around fees and charges income.
- 5.20** This budget will be held centrally and would be allocated in support of evidenced budget pressures during the year identified through the quarterly financial monitoring process. Should these budgets not be required, in part or in full, they would be returned to the Financial Resilience Reserve (in-year) and reviewed as part of the 2025/26 budget setting process.

Savings

- 5.21** To mitigate the budget pressure outlined above and to set a balanced budget for the year, the draft budget proposals included expenditure savings of £1.1m.
- 5.22** Savings proposals have been reviewed to ensure they are robust and can be delivered. The table below provides a summary of the savings included in the MTFS.

Table 6 – Savings

Savings	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
<u>Third Party Contract Savings</u>				
Publica contract	(150)	(150)	(150)	(150)
Ubico contract	0	(100)	(150)	(150)
<u>Corporate Savings</u>				
LGPS - Secondary Rate (PIA) (Budget savings)	(196)	(392)	(392)	(392)
<u>Other Expenditure Savings</u>				
Future Publica: Making Service Available online	(75)	(75)	(75)	(75)
Publica Review: Transformation of services	(75)	(150)	(150)	(150)
Ubico - Rezoning of Rounds	(375)	(500)	(500)	(500)
Ubico - Reduce Streets Service	(150)	(300)	(300)	(300)
Publica Service budget savings	(238)	(238)	(238)	(238)
TOTAL	(1,259)	(1,905)	(1,955)	(1,955)

5.23 As can be seen from the MTFS Summary table in this report, the requirement to reduce costs and balance the budget are substantial. Section 6 of this report sets out the position on budget and efficiency savings over the MTFS period as part of the balanced budget requirement.

Fees and Charges

5.24 The Budget Strategy report restated the approach of full cost recovery from fees and charges where possible for the services it provides. A review of fees and charges has been undertaken which generates £0.750m of additional Fees and Charges income as shown in Table 7 below.

5.25 The outcome from the review has been analysed and discussed with Cabinet members. The table below sets out the updated position on fees and charges income estimates for 2024/25 and includes an assumed annual uplift over the MTFS period. The decision on fees and charges will be considered by Cabinet as part of each year's budget setting round. A detailed schedule of the Fees and Charges was included as Annexes to the 2024/25 Fees and Charges Report.

Table 7 – Fees and Charges

Fees and Charges	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Car Parking Fees (Sunday Charging)	(105)	(109)	(113)	(116)
Car Parking Fees (Tariff Change)	(376)	(506)	(611)	(708)
Planning Fees (Statutory)	(100)	(100)	(100)	(100)
Other Fees and Charges - Cost Recovery	(27)	(27)	(27)	(27)
Garden Waste - fee increase	(169)	(283)	(400)	(517)
Subtotal	(777)	(1,026)	(1,251)	(1,468)

5.26 Cabinet received a report outlining the feedback from the budget consultation exercise at their meeting in January 2024. The consultation had sought views on the proposals around extending charging to all Car Parks on Sundays and whether to increase existing charges by around 15%.

5.27 Cabinet carefully considered the feedback from residents and set out their position in the *Review of Parking Charges and Season Tickets* report to Cabinet at the same meeting. The consultation showed good support for the proposals to increase the tariffs and to introduce Sunday charging, although it was noted a larger number of respondents indicated they were not in support of the proposals. Cabinet was mindful of the feedback and on balance recognised the balanced budget requirement that additional revenue from the Council's Car Parks would support. Therefore, there Cabinet agreed to implement the proposed changes to the current Car Park Tariffs and charging periods in 2024/25.

5.28 A review of Car Park Season Ticket pricing has been undertaken with revised season ticket prices was considered by Cabinet at the meeting in January.

5.29 The impact of the changes would be to increase the budgeted level of income in 2024/25 by £0.481m.

5.30 A Garden Waste fee increase of £7 (£57 to £64) takes into account the projected increased cost of service delivery for 2024/25. This increase will ensure the Garden Waste service is provided on a cost recovery basis, as can be seen from the calculation below.:

Table 8 – Garden Waste Service

	2024/25 Gross Service Cost (£'000)	(£'000) Forecast Income	Net Cost (£'000)
Garden Waste Service			
Net cost based on £57 per annum charge	1,467	(1,331)	136
Net cost based on £64 per annum charge	1,467	(1,465)	2

Other Income changes

- 5.31 Cabinet will consider the *Agile Working Update and Tenancy Proposals for Trinity Road Council Offices in Cirencester* at their meeting on 01 February 2024. This report updates members on work that has been completed to make changes to the Trinity Road offices to facilitate agile working and free up space for tenants and to make recommendations on a future tenant for the space created.
- 5.32 The original business case considered by Cabinet in December 2021 assumed that one or two larger tenants would be found that would lease all the office accommodation. A sum of £0.151m annual savings (utilities and Business Rates) and income (tenants) was notionally included in the February 2023 MTFS for the 2024/25 financial year.
- 5.33 The Agile Working Update report to Cabinet outlines the outcomes from discussions with prospective tenants and partners and recommends an approach to letting the vacant space. For the purposes of the MTFS, no assumption has been made on the level and timing income or expenditure savings and will only be included in the revenue budget and MTFS when cashflow outcomes are more certain.

Non-Service Expenditure and Income

- 5.34 Corporate Income and Expenditure budget items cover the non-service revenue expenditure and income that is included in the Council's General Fund. Non-Service budgets for 2024/25 of (£1.760m) are proposed and will reduce over the MTFS period as the revenue impact of capital financing takes effect. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned reserve transfers are set out below in more detail.

Treasury Management, Capital Financing and PWLB Lending Terms

- 5.35 The MTFS includes an estimate of the cost of borrowing required to support the capital programme. The Treasury Management Strategy for 2024/25 (Annex F) was considered by Audit and Governance Committee at its meeting on 25 January 2024. The report sets out the forecast for the Council's Treasury Management activities (investments and borrowing). Advice is provided from the Council's Treasury Management advisors Arlingclose, in terms of investment performance, timing of decisions, capital financing, and the wider economic

outlook.

- 5.36** The Council's capital financing approach is informed by the CIPFA and DLUHC guidance on the capital financing framework which has been reviewed and strengthened since 2020.
- 5.37** The Levelling-Up and Regeneration Act received Royal Assent in October 2023 and contains provisions that expand the Government's statutory powers to intervene in the local government capital finance system.
- 5.38** These powers provide the Government with the ability to intervene should it consider excessive risk is being taken by a local authority and will require authorities to provide specific information, undertake commissioned reviews, place borrowing caps in relation to a range of risky activities or take specific actions to reduce its level of risk.
- 5.39** Several risk metrics are being developed which the Government will have regard to in determining whether it is appropriate to use the statutory powers. These are being refined through working with the sector but include:
- Proportionality of debt. This would be measured as total level of debt compared to the local authority's financial capacity (the financial resources at the disposal of the local authority.)
 - Proportion of capital assets which are investments taken in order to generate net financial return or profit.
 - Estimates to show whether the authority is not meeting its statutory duty to make sufficient provision to repay debt.
 - Proportion of debt held by the local authority where the counterparty is not local or central government. Including credit arrangements and loans.
- 5.40** Further, where there is evidence of financial failure, for instance the issuance of a Section 114 notice, the Government will consider the use of these powers where capital practices have been identified as a significant contributing factor.
- 5.41** The Government issued two consultations in December 2023 concerning capital financing – Minimum Revenue Provision (MRP) and Capital Flexibilities.
- 5.42** **The consultation on MRP** can be seen as a “final” consultation on proposed changes to regulations and statutory guidance and builds on those published in November 2021 and June 2022. The main proposals remain broadly the same as those in June 2022 – to limit the scope of local authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.
- 5.43** The regulations would come into force from April 2024 and would require local authorities to make an MRP charge for all capital expenditure financed by debt (unless the asset was not available at the start of the year or certain capital loans). The draft regulations also ensure

that capital receipts used to repay debt cannot reduce the MRP charge in the same year (with the exception of capital receipts arising from capital loan repayments and finance lease principal repayments).

5.44 The consultation on Capital Flexibilities is to seek views from local authorities on options for the use of capital resources and borrowing to encourage invest-to-save activity. Specifically, the consultation seeks views on the following.

- allowing authorities to capitalise general cost pressures and meet these with capital receipts.
- extending the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects.
- providing additional flexibilities for the use of the proceeds of selling investment assets, such as using capital receipts to increase revenue reserves.
- discounting PWLB rates by 0.4% for invest-to-save projects, matching the current HRA rate.

5.45 The consultations are due to close on 31 January 2024 (Capital Flexibilities) and 16 February 2024 (MRP).

5.46 The CIPFA Prudential Code on Capital Finance and Treasury Management Code of Practice were implemented in full from April 2023. The main elements of the Codes are summarised below.

5.47 Prudential Code on Capital Finance:

- Provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality is included as an objective in the Prudential Code. Provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
- Capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.

5.48 Treasury Management Code:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies.
- Environmental, Social and Governance (ESG) risks are incorporated into TMPI (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy

5.49 As set out in the Annual Treasury Management Strategy, the Council's borrowing strategy is "to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required".

5.50 The MTFS includes estimates of the borrowing costs arising from the financing of the capital programme.

5.51 As set out in paragraph 3.6, the Council's Treasury Management advisors, Arlingclose believe the Bank base rate to have peaked at the current 5.25% (as set in December 2023) with the next MPC meeting scheduled for February 2024. Their projection in December 2023 shortly after the MPC decision to maintain interest rates is that the Monetary Policy Committee (MPC) will cut rates in the medium term to stimulate the UK economy, but will be reluctant to do so until it is sure there will be no lingering second-round effects [from inflationary pressures] with rate cuts expected from Q3 2024 to a low of around 3% by early to mid-2026.

5.52 The Treasury Management Strategy sets out the Council's policy on Minimum Revenue Provision (MRP) and is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans)

5.53 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £12k is to be charged in 2024/25 and is forecast to increase to £35k by 2027/28.

5.54 As highlighted in paragraph 5.42 and 5.43 above, the Government has issued a "final" consultation on changes to the regulations concerning the duty of local authorities to make prudent Minimum Revenue Provision (MRP) each year.

5.55 Estimates of interest receivable on other investments remain positive but with some uncertainty around the wider global economy on the Council's longer-term investment returns. The Council continues to hold up to £12.5m in Pooled Funds and other longer-term investments, which have generated strong income returns. Investment income of £1.3m has been forecast for 2024/25 recognising the strong performance over the last 12 months whilst

recognising the time-limited impact from higher interest rates. The MTFS forecast assumes an increased level of return from 2024/25 and reduces over the MTFS period. This will be kept under review in terms of the overall cash position of the authority and the impact of forecast interest rate changes.

6. BALANCED BUDGET REQUIREMENT

- 6.1** The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFS, the Council's core financial position is a balanced budget for 2024/25 and 2025/26 (with a transfer of the projected surplus to the Financial Resilience reserve). However, there is a significant and increasing projected budget gap of £1.5m in 2026/27 and is forecast to increase to £3.5m in 2027/28.
- 6.2** An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Corporate Strategy and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 6.3** The level of savings set out in the MTFS does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term and will be depleted during 2026/27. For clarity, the MTFS assumes that the cost of change associated with the Publica review is contained within the existing financial envelope. Given the increasing budget gap from 2026/27 it is not unreasonable to expect service reviews to contribute towards a balanced budget position over the MTFS period. At this stage, it is difficult to make a robust judgement as to the level and timing of cost reduction for services that will be transferred from Publica to the Council.
- 6.4** The Council will need to address the scale of the budget gap to ensure a balanced budget can continue to be set over the MTFS period. The position set out in this report is by no means complete and the budget gap may change due to assumptions being updated.
- 6.5** The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium, and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services.
 - manage unexpected shocks in their financial circumstances.

- 6.6** A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings so that they are identified, agreed, planned, implemented, and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.
- 6.7** In response to the adverse financial position forecast for 2023/24 outlined in the quarterly Financial Performance reports, Cabinet agreed to continue to review in-year opportunities with Publica and Ubico to mitigate the forecast financial position.
- 6.8** During 2023/24, the Cabinet Transform Working Group (CTWG) met several times to support Cabinet with identifying and reviewing savings and transformation opportunities.
- 6.9** The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.

Balances and Reserves

- 6.10** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council. The review has taken into account guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).
- 6.11** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 6.12** There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
- Balanced Budget requirement: England, Sections 31A, 42A of the Local Government Finance Act 1992, as amended.
 - Chief Finance Officer (CFO) duty to report on robustness of estimates and adequacy of reserves (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.
 - Requirements of the Prudential Code.
- 6.13** These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where

reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

- 6.14** As set out in paragraph 2.5 of this report, there is a much-heightened focus on financial sustainability throughout the sector, largely due to the number of Section 114 notices that have been issued.
- 6.15** The review of reserves and balances for the 2023/24 recommended a distinction between the General Fund Balance and Earmarked Reserves.
- 6.16** The General Fund Balance has been assessed taking account of the strategic, operational, and financial risks facing the authority and the underlying budgetary assumptions. This includes:
- The treatment of inflation and interest rates
 - Level and timing of estimated capital receipts
 - Treatment of demand-led pressures
 - Treatment of planned efficiency savings
 - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, or major capital developments
 - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
 - The general financial climate to which the authority is subject to
- 6.17** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is adequate.
- 6.18** However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 6.19** A review of the Council Priorities Fund revenue reserve has been undertaken with the recommendation that this is allocated into separate reserves linked to the priorities outlined in the Council's Corporate Plan as indicated below:
- Delivering Good Services
 - Responding to the Climate Emergency
 - Delivering Housing
 - Supporting Communities
 - Supporting the Economy

6.20 It is recommended that the following reserve balances are established to support delivery of the Council Plan, the Publica Review outcomes, and the ongoing preparation of the Council's Local Plan:

- £0.500m is set aside in the Council Priority: Publica Review reserve to provide adequate funding for the Council's share of the costs arising during the Transition phase. The Council approved the Publica Review report in November 2023 which indicated an initial £0.200m would be set aside from the Council Priorities Fund. As the review and transition is a significant undertaking for Cotswold, Forest of Dean and West Oxfordshire councils, there is a recognition across the councils of the cost of the transition programme and associated external advice that will be required.
- £0.250m is allocated to the Council Priority: Climate Emergency reserve
- £0.750m balance is maintained for the Council Priority: Housing Delivery reserve
- A further £0.500m is allocated to the Council Priority: Local Plan reserve to ensure the next stages of the Local Plan preparation can be delivered in accordance with the timetable set out in the *Cotswold District Local Plan Update* report to Council in January 2024.
- £0.200m balance is held in the Council Priority: Regeneration/Infrastructure reserve to provide funding for feasibility studies and due diligence around the emerging Cirencester Town Centre Masterplan including support for the Council's Car Park Strategy.
- £0.200m balance is maintained for the Council Priority: Transformation and Change reserve to provide funding for savings and transformation projects and invest to save initiatives.

6.21 New initiatives will require Members to review existing commitments against earmarked reserves and to reallocate funds accordingly.

6.22 The Balances and Reserves Strategy recognises the financial risks facing the Council over the MTFS period. A key consideration is to ensure financial resilience and sustainability can be supported through the strategy.

6.23 Cabinet approved the establishment of 2 reserves during 2023/24 – Treasury Management Risk and Contract Smoothing reserves. Additional earmarked reserves will be established to mitigate specific financial risks.

- Business Rates Risk – to help mitigate the impact of any unexpected reduction in the business rates base and income.
- Workforce Planning – to ensure a strategic approach to workforce planning can be delivered.
- Local Government Pension Scheme – to help mitigate the risk of a deficit funding position on the Council's Local Government Pension scheme at each triennial review period (next review due April 2025)

6.24 The review of balances and reserves consolidates a number of existing separate balances into single over-arching reserves that provide a more flexibility for the Council to fund specific one-off costs as they arise, subject to business case and approval limits.

- Asset Management and Property
- Planning

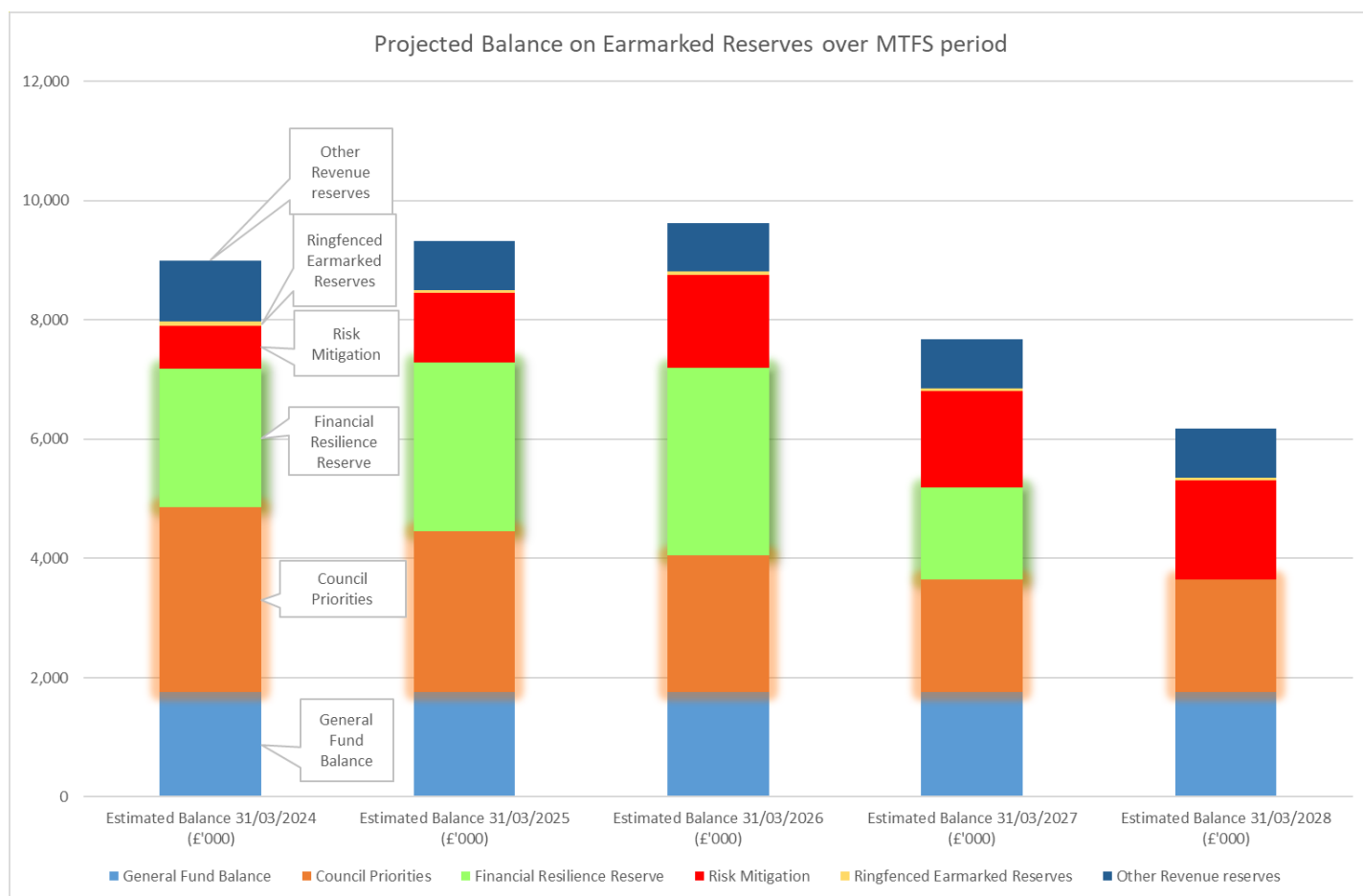
6.25 Therefore, the following balances and reserves position is proposed over MTFS period:

- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
- Council Priorities Fund is allocated to separate reserves to support the priorities outlined in the Corporate Plan.
- Earmarked reserves to mitigate financial risks are established.
- Allocate £25k to the Member Training earmarked reserve to providing adequate funding for member training and development as recommended by the Corporate Peer Challenge in October 2022 (“Establish a training and development programme for elected members”)
- £0.100m is transferred to the Treasury Management Risk reserve in 2024/25

6.26 If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below with the Graph indicating changes to the composition of earmarked reserves over the MTFS period.

Table 9 – Reserves and Balances Forecast

	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
Estimated Reserve balance over MTFS period					
General Fund	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities	(3,093)	(2,693)	(2,293)	(1,893)	(1,893)
Financial Resilience Reserve	(2,328)	(2,829)	(3,138)	(1,541)	0
Financial Resilience Reserve - shortfall (indicative)					2,050
Risk Mitigation	(723)	(1,173)	(1,569)	(1,615)	(1,661)
Ringfenced Earmarked Reserves	(77)	(47)	(47)	(47)	(47)
Other Revenue reserves	(1,020)	(822)	(822)	(822)	(822)
Subtotal Earmarked Reserves	(7,240)	(7,563)	(7,869)	(5,917)	(2,373)
TOTAL GF Balance + Earmarked Reserves	(9,000)	(9,323)	(9,629)	(7,677)	(4,133)



Note: The graph excludes any balance held by the Business Rates Movement reserve. This earmarked reserve deals with the timing difference between the Council receiving Section 31 Grant as compensation of reduced business rates income (due to additional business rates reliefs) and the Council needing to finance its share of the deficit on the business rates collection fund. Section 31 Grants are received in-year whereas a deficit on the Collection

Fund is financed the following financial year. It has been excluded on the basis it is not available to spend.

6.27 Whilst the level of reserves and balances shown in the table indicates that the Council is in a good financial position, the cumulative funding gap of £4.4m over the MTFS period would reduce the Financial Resilience Reserve to a nil balance during 2026/27.

6.28 Clearly, the Council will need to ensure the continued delivery of robust, balanced, and proportionate savings to mitigate the budget gap over the MTFS period.

Table 10 – Summary Medium Term Financial Forecast

	2023/24 Original (£'000)	2023/24 Q2 Forecast (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
MTFS Summary						
Net Service Revenue Expenditure	13,625	16,783	15,858	15,858	15,858	15,858
Corporate Items/Non Service Income & Expenditure	(812)	(1,490)	(1,015)	(649)	(50)	24
Transfers to/(from) earmarked reserves	0	(814)	(575)	(642)	(675)	(675)
Provision for Inflation	1,799	0	1,117	1,993	2,694	3,414
Service + Corporate Items	14,611	14,479	15,386	16,560	17,827	18,622
Budget Pressures	762	0	570	615	677	727
Technical Adjustments	0	0	77	77	77	77
Risk Items	500	398	0	0	0	0
Savings and Transformation Plan items	(1,510)	(250)	(2,036)	(2,931)	(3,205)	(3,422)
Draft Net Revenue Budget	14,363	14,627	13,997	14,320	15,375	16,003
TOTAL Funding	(13,503)	(13,503)	(14,500)	(14,632)	(13,780)	(12,414)
Budget Gap / (Surplus)	860	1,124	(504)	(312)	1,595	3,588

7. FUNDING

7.1 The MTFS includes a forecast of the level of funding available to support the General Fund over the medium-term which are set out in detail below.

Overview

7.2 As set out earlier in Section 2, there is considerable uncertainty over the medium-term. Forecasts of funding for 2025/26 assume that planned reforms to Local Government Finance are delayed until at least 2026/27.

7.3 Estimating the level of Government funding for 2026/27 and 2027/28 is difficult as there is no certainty around the timing and scale of the transition from the current finance system for local government.

7.4 For the purposes of the MTFS, it has been assumed that the pace of reform will be relative quick (i.e., transitional arrangements will be in place for a shorter period of time than has been

the case with previous reforms of local government finance). This is shown in the funding estimates for 2026/27 and 2027/28 as damping. This funding mechanism is provided to ensure that funding reductions are managed over a defined period of time so that no Council would see a reduction of more than x% (e.g. no more than say 5% or 10% in any given year). For MTFS modelling purpose a floor of 10% has been assumed. Estimates for the later MTFS period should, therefore, be treated with a high degree of caution.

Business Rates

- 7.5** The Council was required to finalise its Business Rates estimates for 2024/25 and its initial estimate of any surplus or deficit for 2023/24 by 31 January 2024. The estimate of retained business rates income included in this report do not take into account the final forecasts for business rates that were submitted in the NNDR1 return.
- 7.6** Forecasting business rates income is complex with the impact of the additional reliefs announced in the Autumn Statement and the implementation of shorter 3-year revaluation periods contributing to the level of uncertainty around forecasts for the medium-term.
- 7.7** The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2023. Forecasts have been made concerning the level of mandatory and discretionary reliefs that will be given, and an allowance made for bad debts and repayments.
- 7.8** Business rates are collected by the Council, and the proceeds are shared between Cotswold District Council, Gloucestershire County Council, and the Government. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation, and reliefs.
- 7.9** The draft forecast for business rates included in this report, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs. The assumption made in the MTFS is the Council's share of retained business rates will be in the region of £4.5m in 2024/25. The final estimate will not be available until 31 January 2024, and it is recommended that a delegation is provided to the Council's Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Finance for any changes to the General Fund Summary arising from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.
- 7.10** Each year the Council forecasts whether its collection of Business Rates will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund.

7.11 Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year.

7.12 The table below should be considered as an initial forecast based on a high-level view on the impact of the revaluation and business rates reliefs.

Table 11 – Business Rates Forecast (NOT FINAL)

	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)
Derivation of BRR Figures for MTFS		
Non-Domestic rating income (NNDR1 Estimate)	13,201	13,974
Less: Tariff Payment to Government	(12,963)	(13,332)
Less: Estimated Levy Payment to Government	(1,485)	(1,709)
Add: Renewable Energy schemes	107	110
Estimated Retained Business Rates	(1,140)	(957)
Section 31 Grant Payable	4,681	4,868
Multiplier Cap	834	1,117
TOTAL Funding from Business Rates	4,375	5,028
Assumed BRR included in MTFS	4,389	4,500

Gloucestershire Business Rates Pool

7.13 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth. The Pool Levy rate increased from 15% to 21% because of the 2023/24 revaluation resulting in a lower proportion of business rates growth being retained in the County. Any windfall gain associated with the Business Rates Pool will be allocated to the Business Rates Risk reserve.

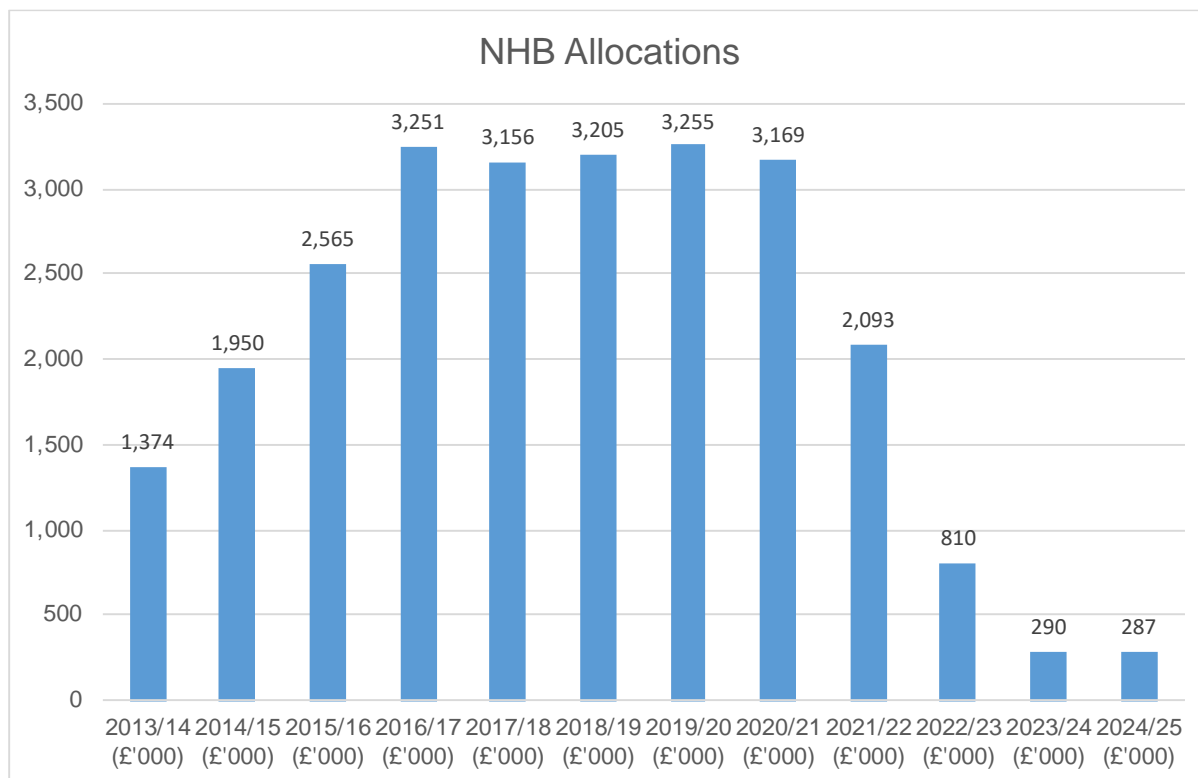
7.14 There remains uncertainty over the future of Business Rates Pooling over the MTFS period. Local Government Finance reforms will include a reset to business rates alongside the shorter 3-year valuation periods. Therefore, there is a risk that Pooling may not be financially viable as there may be too much risk and too little reward.

New Homes Bonus (NHB)

7.15 New Homes Bonus will continue for a further year in 2024/25 with an allocation of £0.287m included in the provisional settlement. As has been the case over the last three financial years, 2024/25 is a one-year only allocation and does not give rise to an ongoing legacy payment. The Government has yet to set out the future position of New Homes Bonus which was intended to take place ahead of the 2024/25 local government finance settlement.

7.16 The graph below highlights the reduction in the value of NHB to the Council since 2020/21.

New Homes Bonus (NHB)



Funding Guarantee

7.17 The provisional settlement includes the continuation of the Funding Guarantee and is intended to ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels.

7.18 The Funding Guarantee replaced the Lower Tier Services Grant (£1.435m in 2022/23) and repurposed other funding streams. Therefore, the value of the allocation should be viewed in the context of the total funding assumed in Core Spending Power as shown earlier in Table I of this report.

7.19 For Cotswold, the value of the Funding Guarantee is £2.226m for 2024/25 and the assumption in the MTFS is for this to increase to £2.298m for 2025/26. Whilst this funding is welcomed, it falls short of mitigating the inflationary pressures on the Council's budget.

Other Grants/Funding

7.20 The Government has recognised the cost of service delivery in rural areas through the Rural Services Delivery Grant (RSDG) funding since 2016. This will continue for 2024/25 with £0.707m included in the provisional settlement.

7.21 Revenue Support Grant (RSG) of £0.144m for 2024/25 has been provided in the provisional settlement. However, this is a consolidation of 4 previous grants which maintain their existing distribution. These are the Independent Living Fund; Council Tax Discounts – Family Annex; Local Council Tax Support Administration Subsidy; and Natasha's Law. The value of the

rolled-in grants is broadly equal to the RSG allocation and should be viewed as replacing existing distinct funding streams rather than 'new' funding.

7.22 The table below sets out the assumed level of funding included within the MTFS.

Table 12 – Funding assumed in MTFS forecast

Funding included in MTFS	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Council Tax	6,597	6,879	7,167	7,459
Business Rates Retention (net of risk + returned funding)	4,500	4,590	3,216	3,350
Rural Services Delivery Grant	707	707	707	707
Lower Tier Services Grant	0	0	0	0
New Grant (was LTSG) to achieve 3% increase in CSP	2,226	2,298	0	0
Services Grant	12	12	0	0
New Homes Bonus	287	0	0	0
New Homes Bonus (Returned Funding)	0	0	0	0
Revenue Support Grant (RSG)	144	146	(1,723)	(1,742)
(Negative) Revenue Support Grant	0	0	0	0
Damping	0	0	4,413	2,641
Collection Fund - CT	28	0	0	0
Collection Fund - NNDR	0	0	0	0
TOTAL Funding	14,500	14,632	13,780	12,414
Proposed Net Revenue Budget	13,997	14,320	15,375	16,003
Budget shortfall/(surplus)	(504)	(312)	1,595	3,588

Council Tax

7.23 The referendum threshold for 2023/24 for Shire Districts including Cotswold District Council is 3% or £5 (whichever is the greater). The Core Spending Power calculation published with the Local Government Finance Settlement assumed that all authorities would raise their Council Tax towards the maximum allowable amounts. Factoring such increases into the funding assessment, removes flexibility for local authorities to take local decisions about tax levels and to use increases in local taxation to offset local spending pressures. Councils now need to make these increases just to keep total funding levels at a standstill.

7.24 The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.

7.25 A £5 increase in Council Tax formed part of the Budget Consultation undertaken in November and December 2023. As reported to Cabinet in January 2024, the results of the

consultation exercise indicated strong support from respondents to a £5 increase in the Band D Council Tax rate. Question 3 asked:

To support our priorities and help us to close our expected funding gap from the Government, we plan to increase Council Tax by 10p a week (£5 a year) for a Band D property (£3.33 for Band A up to £10 for Band G). Do you agree with this approach?

7.26 The response to this question was supportive. 55.4% agreed or strongly agreed with the proposed Council Tax increase. 32.4% disagreed or strongly disagreed whilst 12.2% neither agreed nor disagreed.

7.27 A Council Tax rise of £5 increases the Band D rate from £148.93 to £153.93 and will generate approximately £0.286m in additional Council Tax revenue annually (when taken with estimated changes to the taxbase, £0.212m when the taxbase growth is not included). The MTFS assumes an increase of up to £5 per annum. This would generate £1.148m over the MTFS period including 2024/25 (£0.862m 2025/26 to 2027/28).

Table 13 – Council Tax Income

	2023/24	2024/25	2025/26	2026/27	2027/28
Taxbase	42,374.24	42,855.93	43,284.49	43,717.33	44,154.51
Assumed Band D rate (£) *	148.93	153.93	158.93	163.93	168.93

	2023/24	2024/25	2025/26	2026/27	2027/28
Precept (£'000)	6,311	6,597	6,879	7,167	7,459
Increase (£'000)		286	282	287	292
Cumulative Increase (£'000)		286	568	856	1,148

7.28 * The decision to set Council Tax remains an annual decision for Council to consider when setting the budget each year.

Local Council Tax Support Scheme

7.29 Cabinet recommended that Council approved the Council Tax Support scheme for 2024/25 at their meeting on 07 December 2023. Revisions to the scheme included changes to income bands within the scheme to give support to households through the cost-of-living crisis with an increased level of support for income bands 4 and 5 (up from 30% and 10% to 40% and 20% respectively).

7.30 The cost of the scheme will increase by approximately £68k across all preceptors, with the cost to Cotswold District Council estimated to be just over £5k. The impact of this has been reflected in the Council Tax estimate included within the MTFS. Council will consider the scheme at their meeting on 21 February 2024 alongside the level of Council Tax.

Council Taxbase

- 7.31** The Taxbase for 2024/25 has been estimated at 42,855.93 and represents an increase of 481.69 (1.14%) over the 2023/24 position. For the purposes of the MTFS it has been assumed the Taxbase will grow at 1.00% per annum.

Collection Fund (Council Tax and NNDR)

- 7.32** The Council Tax Collection Fund is estimated to be in surplus by the end of the current financial year by £0.200m. Cotswold District Council's share is £28k and is included within the Council Tax Collection Fund deficit line within the MTFS.
- 7.33** Collection rates for Council Tax have remained resilient throughout 2023/24. At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available collection data suggests that the Council is above the collection rate for the same period in 2022/23 and the total collected is forecast to be broadly in-line with the level precepted against the Collection Fund
- 7.34** Any surplus of deficit on the Collection Fund is shared across the major precepting authorities (Gloucestershire County Council and Gloucestershire Police and Crime Commissioner).

8. CAPITAL PROGRAMME 2024/25 TO 2027/28

- 8.1** The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.
- 8.2** The Council has set out its Capital Programme for the period 2024/25 to 2027/28 based on the principles of the current Capital Strategy. This is summarised in the table below and in further detail in Annex D of this report. A total capital expenditure budget of £6.813m in 2024/25 is proposed. Total expenditure over the programme period is estimated at £17.512m (£25.024m when including the current financial year)
- 8.3** The capital programme is focussed on delivering against the Council's key priorities, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants.

Table 14 – Summary Capital Programme

	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Programme						
Leisure & Communities	79	1,310	50	550	50	2,039
Housing/Planning and Strategic Housing	4,765	2,289	700	700	700	9,154
Environment	566	1,857	428	5,251	1,820	9,922
ICT, Change and Customer Services	100	350	150	150	150	900
UK Rural Prosperity Fund	191	573	0	0	0	764
UK Shared Prosperity Fund Projects	28	134	0	0	0	162
Land, Legal and Property	567	300	0	0	0	867
Transformation and Investment	1,216	0	0	0	0	1,216
	7,512	6,813	1,328	6,651	2,720	25,024

- 8.4** The capital programme includes investment in the Council's Leisure Centres, supporting the delivery of Housing in the District, responding to the Climate emergency and investment in new waste collection vehicles to support the service.
- 8.5** The Council has been developing an Asset Management Strategy supported by Carter Jonas over the last few weeks. This will include detailed asset management plans and Minimum Efficiency Standards (MES) considerations for the Land and Buildings assets it holds. This will be presented to Cabinet in March 2024 and further developed over 2024/25. The emerging strategy provides a longer-term view of the income and expenditure profiles, tenant events, hold and disposal options.
- 8.6** The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 8.7** At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.
- 8.8** The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval. However, with the current relative high cost of borrowing, the business cases for new projects will need to be robust, include adequate headroom to cover capital financing costs, and be subject to additional challenge from officers prior to member consideration.

Table 15 – Summary Capital Financing Statement

	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Financing Statement						
Capital receipts	5,062	5,006	628	1,780	2,020	14,496
Capital Grants and Contributions	1,959	1,732	700	700	700	5,791
Earmarked Reserves	0	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	100	0	0	0	0	100
Community Municipal Investments (CMI)	391	75	0	0	0	466
Prudential Borrowing	0	0	0	4,171	0	4,171
	7,512	6,813	1,328	6,651	2,720	25,024

9. RISKS AND UNCERTAINTIES

- 9.1** There are a number of financial risks that the Council will face over the medium-term. The 2024/25 Budget and the MTFs have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 9.2** The first key risk is around the nature and scope of local government funding from the Government in 2025/26 and more substantially from 2026/27. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be held back until after the General Election. The forecast impact on District Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- 9.3** It is very difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2025/26 and beyond.
- 9.4** However, an initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFs assumptions from 2026/27. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).
- 9.5** A significant uncertainty in the MTFs is the assessment of when funding changes will be implemented. As set out in this report, the implementation of Local Government Finance reform has already been delayed several times. The Local Government Finance Policy Statement and subsequent settlement provided information on funding for 2024/25. Whilst

no indication has been provided for future settlements, there a number of factors that may influence the timing of reform.

- General Election – if a general election is called as late as November 2024, there would only be a very short period for any new Government to consider reform and consult with Local Government on the 2025/26 settlement. For the purposes of the MTFS it has been assumed that reform is delayed until 2026/27.
- Business Rates Valuation periods – HM Treasury’s final report on the Business Rates Review moved to more frequent valuations with April 2023 being the start of a 3-year valuation period. With the next valuation period commencing in April 2026, there may be some benefit to aligning Local Government Finance reforms with the new valuation period.

9.6 The second key risk is around the continued impact on the Council from pressures within the wider economy including inflation and interest rates. This will have an impact on income and expenditure budgets during 2024/25 and will require timely and accurate financial reporting to Cabinet. These risks include:

- Income from Council Tax and Business Rates will continue to be under pressure in 2024/25 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
- Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council.
- Cost of services where the Council is exposed to risk sharing in contract costs.
- Energy cost pressures

9.7 A third key risk is around the impact from the Publica Review. As set out in section 2 of the report, it is difficult at this early stage to set out the financial impact of the transition plan on the Council’s finances. Cabinet and Council will consider the Transition Plan and the financial implications in March 2024.

9.8 The transition of services from Publica to Council will clearly have a material impact on the Council’s resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFS, it is assumed the cost of services will remain with the cost envelope set out over the medium-term.

9.9 In order to fund the one-off costs of transition, it is recommended that £0.500m is set aside in the Corporate Priority: Publica Review reserve.

9.10 Inevitably, there are likely to be workforce planning costs arising from the transfer of services. As the indicative timetable for services to transfer is not yet known, the scale and the timing of workforce planning costs and mitigation measures is difficult to estimate with any certainty. Therefore, it is appropriate to set out the approach the Council will take to financing these costs over the transition period.

9.11 In order to ensure adequate provision is made for the costs and mitigation options over the transition period, the Council must have adequate financial headroom in order to make key decisions on service design. Therefore, it is proposed that the following approach is adopted:

- Ongoing review of vacancies with first call on confirmed underspends to be allocated to the Workforce Planning reserve.
- Flexible use of capital receipts (subject to business case and assessment of wider capital financing implications)

9.12 The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:

- Business Rates Retention and changes to the Local Government Finance system and the impact of the Levelling Up and Regeneration Act.
- Replacement of New Homes Bonus at a time this Council will be continuing to deliver a significant number of new homes.
- Treasury management issues including interest rates, level of capital expenditure, use of internal resources, borrowing costs.
- External economic environment – UK and global economy.
- Financial impact of the Capital Programme on the revenue budget – the affordability of the capital programme and future schemes needs to be carefully considered.
- Unbudgeted costs (for example from service demand or legal challenge to planning decisions.)

10. CONCLUSIONS

10.1 Despite the uncertainties around future levels of Government funding and the impact from the Cost-of-Living crisis and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.

10.2 The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £1.760m and maintaining other usable reserves to mitigate risk and support improvement.

10.3 The Council will need to continue to take steps to manage and address the budget gap identified over the MTFS period.

10.4 The Capital Programme includes planned expenditure £6.813m in 2024/25 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.

- 10.5** The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £148.93 per annum to £153.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- 10.6** The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.
- 10.7** The Council is required to balance the budget one year from the next and must deliver an ongoing savings programme – a robust, balanced, and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.
- 10.8** Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during the MTFS period. Consideration should be given as part of the year-end procedures for 2023/24 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2024/25.

11. FINANCIAL IMPLICATIONS

- 11.1** The Financial implications are set out in detail within the report.

12. LEGAL IMPLICATIONS

- 12.1** None directly as a result of a review of the draft report.

13. RISK ASSESSMENT

- 13.1** Section 9 of this report set out the risks and uncertainties around the 2024/25 budget and MTFS forecast.

14. ALTERNATIVE OPTIONS

- 14.1** On 30 January 2024, the Overview and Scrutiny Committee considered the budget proposals and were encouraged to provide feedback to the Cabinet, which may include alternative options.

14.2 Cabinet will consider any feedback from the Overview and Scrutiny Committee and will determine the final budget proposals to be presented to Council for consideration.

15. BACKGROUND PAPERS

15.1 None

(END)

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- 1.1** Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set on:
- the robustness of the estimates included in the budget.
 - and the adequacy of the financial reserves in the budget
- 1.2** The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).
- 1.3** The Council's Revenue Budget, Medium Term Financial Strategy and Capital Programme have been prepared with reference to the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on prudential property investment. As Section 151 Officer, I have also had regard to CIPFA's Financial Resilience Index and the CIPFA Financial Management Code (FM Code).
- 1.4** Section 6 of the 2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report outlines the compliance requirements of the CIPFA FM Code. The Council should continue to assess its position on compliance with the Code and the 151 Officer will be reviewing this position utilising the FM Code's self-assessment tool with an Action Plan identifying actions required to address any areas of weakness.
- 1.5** CIPFA have outlined the four key areas to focus on in order to be financially resilient:
- Getting routine financial management right: financial systems and processes are working effectively.
 - Benchmarking: comparing costs, income, and activity levels with similar authorities
 - Clear plans for delivering savings: a single, consolidated, living document that sets out what savings have been agreed, progress in implementing the savings, with links to the budget and MTFs.
 - Managing reserves: clarity on the use of reserves between one-off and on-going demands
- 1.6** As members will no doubt be aware, local authorities are under significant financial pressure and several have either issued Section 114 notices or have been the subject of specific Public Interest Reports. Section 114 notices are issued by the Chief Finance Officer when they believe Members have or are minded to approve an unbalanced budget where expenditure in a financial year is likely to exceed the resources available. Issuing the notice immediately suspends all financial activity apart from that which is necessary to maintain statutory duties.

It also initiates a 21-day period for full council to consider the report and agree urgent action to start to remedy the situation. The authority's external auditors and the Department for Levelling Up, Housing and Communities (DLUHC) will also be notified and can step in to provide advice and support

1.7 CIPFA published a brief report ([CIPFA Report on s114 notices](#)) on learning the lessons from Section 114 notices. These used to be issued very rarely but members will note from that Nottingham, Birmingham, and Woking have issued such notices recently. It is worth stating that whilst there is no immediate risk of Cotswold District Council having to consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.

1.8 CIPFA's report made the following points:

- The savings process should be effective and engaging, with budget holders actively involved in identifying and delivering savings.
- The risks around commercial activities must be clearly understood, with effective oversight of council-owned companies.
- Elected members must receive training on financial matters, improving their understanding of complex issues.
- Governance arrangements should be strengthened and include the ability to speak truth to power.
- Internal audit should review the effectiveness of financial rules and processes, and knowledge of and compliance with financial regulations.
- The quality of financial management should be assessed.

Robustness of Estimates

1.9 The budget setting process at Cotswold District Council has been operating effectively over many years and have been prepared by appropriately qualified and experienced staff in consultation with management.

1.10 Service areas are required to undertake a review of service revenue budgets and work with the Public Finance Team to produce detailed estimates for the forthcoming financial year. Proposed changes to service budgets are carefully reviewed, with consideration of savings and unavoidable budget pressures by senior management and Cabinet Members.

- 1.11** Budget Pressures have been reviewed, challenged, and validated and only included in the MTFS where there is a clear business need or a wider strategic requirement to invest in service delivery.
- 1.12** Contract costs for Ubico and Publica are subject to significant cost pressures for 2024/25. Publica contract costs are forecast to increase by £0.516m in 2024/25. Ubico contract costs will increase by £0.458m (around 5.5%). This is a mix of inflationary cost increases (predominantly around pay) and revisions to service costs reflecting changes in waste streams and volumes.
- 1.13** Energy costs have decreased significantly since the start of the financial year and has allowed the Council to reduce the level of budget set aside in 2024/25 and over the MTFS period. The Council entered into a purchasing consortium with Cheltenham Borough Council, Forest of Dean District Council, and West Oxfordshire District Council. This allows the Council to benefit from economies of scale through the additional purchasing power of the group. A risk-mitigation strategy is in place that seeks to reduce the group's exposure to price increases through early and planned purchasing activity should prices edge towards pre-determined trigger rates. Whilst prices have stabilised over the last few months the market remains volatile given the war in Ukraine and activities in the Middle East.
- 1.14** The Revenue Budget, Capital Programme and MTFS have been subject to scrutiny through the Council's Overview and Scrutiny Committee. The Annual Capital Strategy and Annual Treasury Management Strategy and Non-Treasury Investment Strategy have been subject to review through the Council's Audit Committee
- 1.15** Financial management remains robust as demonstrated by the quarterly Financial Performance Reports that are considered by Cabinet and the Overview and Scrutiny Committee. The outturn position (due to be reported in June or July 2024 subject to completion of the outturn process)
- 1.16** It is important that the council is able to balance the budget over the medium term in a sustainable and manageable way through a combination of income, sensible and prudent use of reserves and a robust cost reduction and savings programme.
- 1.17** During 2023/24, the Cabinet Transform Working Group (CTWG) met several times to support Cabinet with identifying and reviewing savings and transformation opportunities.

- 1.18** CTWG will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.
- 1.19** As can be seen from Section 6 of the report, the requirement to reduce costs and balance the budget in the later years of the MTFS are substantial. The MTFS includes significant savings from Ubico in 2024/25 from the rezoning of Waste and Recycling rounds and a review of the Streets service. There is clearly a risk associated with delivery of these savings. Should savings not materialise at the level or within the timeframe assumed this will increase the pressure on the Council balances and reserves. The Council will need to identify the specific risks within the savings programme and take steps to minimise this risk.
- 1.20** The basis on which the budget for 2024/25 and the MTFS have been prepared has been set out clearly in this report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound and reasonable assumptions.

Publica Review

- 1.21** In response to the Local Government Association Peer Challenge Review recommendation, Human Engine undertook an appraisal of the appropriateness of some services remaining with Publica with a report presented to Cabinet and Council in November 2023. Council approved the recommendations contained with the Human Engine report at their meeting on 22 November 2023. In summary, the majority of services will move from Publica and return to being under greater control of the Council.
- 1.22** The transition of services from Publica to Council will clearly have a material impact on the Council's resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFS, it is assumed the cost of services will remain within the cost envelope set out over the medium-term.
- 1.23** **It is essential that the Council takes every opportunity to make services as efficient and cost effective as possible and this will be an important element of the Transition Plan and approach to service design. Cost pressures must be minimised during the transition plan period to ensure service costs are contained within the financial envelope set out in the MTFS.**
- 1.24** Resources have been identified and set aside to fund the one-off costs of transition. Inevitably, there are likely to be workforce planning costs arising from the transfer of services. As the indicative timetable for services to transfer is not yet known, the scale and the timing of

workforce planning costs and mitigation measures is difficult to estimate with any certainty. Therefore, it is appropriate to set out the approach the Council will take to financing these costs over the transition period.

- 1.25** To ensure adequate provision is made for the costs and mitigation options over the transition period, the Council must have adequate financial headroom in order to make key decisions on service design. Therefore, the recommended approach is to increase the availability of one-off revenue and capital resources through:
- Effective resource management – ongoing vacancy management with confirmed underspends allocated to the Workforce Planning reserve.
 - Application of capital receipts to qualifying expenditure (e.g., cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation) in accordance with the Council's policy on the Flexible use of capital receipts.
- 1.26** The Publica Review report approved by Council in November 2023 included high-level estimates from Human Engine on the additional cost and mitigation options associated with the return of the majority of services to the Council. Further and extensive due diligence is being undertaken with consideration of workforce planning issues such as employer pension costs, pension liability modelling, TUPE arrangements.
- 1.27** As set out earlier in this statement, the budget and MTFS do not include any assumption on the costs or savings arising from the Publica review. The Transition Plan will set out in detail the approach to returning services from Publica to the Council including options on timing and service and management structures.
- 1.28** The plan must be cognisant of financial cost associated with service transformation. The MTFS outlines the resources available to the Council – both in terms of ongoing revenue budgets and one-off resources. Whilst the due diligence process is yet to conclude and will be subject to constant review and revision, it is inevitable with a programme of this scale and size that additional costs of change will be identified as services are reviewed and transferred back to the Council.
- 1.29** The Council has limited one-off funding in the form of revenue and capital reserves. There must be an appropriate balance struck between the use of one-off funding to support the cost of change and supporting the revenue and capital budget and Council priorities over the medium-term.
- 1.30** Decisions regarding additional costs arising from service redesign and transfer will be subject to business cases that clearly outline how the proposal contributes to the wider outcomes in

terms of a cost/benefit assessment (for example, additional cost assessed against the ongoing saving opportunity and payback period). Whilst the governance process for the Transition Plan activities has yet to be finalised, it is recommended this includes consultation and sign-off with the Section 151 Officer to ensure overall project costs are managed, monitored, and reported as part of the quarterly financial performance reports.

- I.31** It is important that members are kept apprised on the outcomes from the due diligence and the financial implications as they emerge during the transition period. Although there will be further reports to Cabinet and Council throughout the transition period, it is recommended that the quarterly financial performance reports to Cabinet include timely and relevant financial updates.

Risk

- I.32** As indicated in Section 9 of the report, there are several financial risks that the Council will face over the medium-term. The 2024/25 Budget and the MTFS have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- I.33** The first key risk is around the nature and scope of local government funding from the Government in 2025/26 and more substantially from 2026/27. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be held back until after the General Election. The forecast impact on District Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- I.1** It is very difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2025/26 and beyond.
- I.2** However, an initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFS assumptions from 2026/27. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).

- 1.3** A significant uncertainty in the MTFS is the assessment of when funding changes will be implemented. As set out in this report, the implementation of Local Government Finance reform has already been delayed several times. The Local Government Finance Policy Statement and subsequent settlement provided information on funding for 2024/25. Whilst no indication has been provided for future settlements, there are a number of factors that may influence the timing of reform.
- General Election – if a general election is called as late as November 2024, there would only be a very short period for any new Government to consider reform and consult with Local Government on the 2025/26 settlement. For the purposes of the MTFS it has been assumed that reform is delayed until 2026/27.
 - Business Rates Valuation periods – HM Treasury’s final report on the Business Rates Review moved to more frequent valuations with April 2023 being the start of a 3-year valuation period. With the next valuation period commencing in April 2026, there may be some benefit to aligning Local Government Finance reforms with the new valuation period.
- 1.4** The second key risk is around the continued impact on the Council from pressures within the wider economy including inflation and interest rates. This will have an impact on income and expenditure budgets during 2024/25 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2024/25 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
 - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council.
 - Cost of services where the Council is exposed to risk sharing in contract costs.
 - Energy cost pressures
- 1.5** A third key risk is around the impact from the Publica Review. As set out in section 2 of the report, it is difficult at this early stage to set out the financial impact of the transition plan on the Council’s finances. Cabinet and Council will consider the Transition Plan and the financial implications in March 2024.
- 1.6** The transition of services from Publica to Council will clearly have a material impact on the Council’s resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFS, it is assumed the cost of services will remain with the cost envelope set out over the medium-term.

Adequacy of the Reserves

- I.34** The Balances and Reserves Strategy review has set a target for the General Fund balance to be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is replenished.
- I.7** A review of the Council Priorities Fund revenue reserve has been undertaken with the recommendation that this is allocated into separate reserves linked to the priorities outlined in the Council's Corporate Plan as indicated below:
- Delivering Good Services
 - Responding to the Climate Emergency
 - Delivering Housing
 - Supporting Communities
 - Supporting the Economy
- I.35** The establishment of the Financial Resilience Reserve helps ensure a minimum risk-based balance can be maintained on the General Fund Balance whilst recognising the requirement to support the MTFS (mitigating the budget gap) over the medium-term as CTWG work through a comprehensive Savings Programme.
- I.36** The Balances and Reserves Strategy recognises the financial risks facing the Council over the MTFS period. A key consideration is to ensure financial resilience and sustainability can be supported through the strategy.
- I.37** Cabinet approved the establishment of 2 reserves during 2023/24 – Treasury Management Risk and Contract Smoothing reserves. Additional earmarked reserves are proposed to mitigate specific financial risks.
- Business Rates Risk – to help mitigate the impact of any unexpected reduction in the business rates base and income.
 - Workforce Planning – to ensure a strategic approach to workforce planning can be delivered.
 - Local Government Pension Scheme – to help mitigate the risk of a deficit funding position on the Council's Local Government Pension scheme at each triennial review period (next review due April 2025)

- I.38** The Council has utilised Capital Receipts to finance capital expenditure with the balance on the Capital Receipts Reserve forecast to be £6.4m at the end of 2023/24. As shown in the Capital Financing Statement in Section 8 of the report, the Council will utilise the remaining balance to support the Capital Programme over the MTFS period. Whilst a residual level of capital receipts are expected over the MTFS period as part of normal activity, without further capital receipts the Council will require prudential borrowing in future years to finance capital expenditure.
- I.39** Whilst the level of balances and reserves shown in Table 9 of the report indicates that the Council is in currently a good financial position, the cumulative budget gap of £4.368m over the MTFS period would reduce the Financial Resilience Reserve to a nil balance during 2027/28. This will need to be addressed over the coming months as the Council will need to make significant decisions on future mitigation options.
- I.40** The Council continues to hold other reserves for specific purposes in accordance with decisions taken by Council in previous years. These will be kept under review during the financial year to ensure reserve balances held remain appropriate and adequate.
- I.41** Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2024/25 and the need to ensure reserves remain adequate over the medium-term.
- I.42** In conclusion, I am able to advise Members of the robustness of the estimates and the affordability and prudence of capital estimates for 2024/25. The level of reserves remains adequate to support the 2024/25 financial position and demonstrates financial resilience. However, this is only the case provided that action is taken to ensure that the balances are set at the level of £1.760m for 2024/25 and that all savings proposals, are monitored closely and delivered as planned.

David Stanley
Deputy Chief Executive and Section 151 Officer

24 January 2024

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ANNEX B

MEDIUM TERM FINANCIAL STRATEGY



COTSWOLD
DISTRICT COUNCIL

Medium Term Financial Strategy	MTFS Period					
	2023/24 Original Budget (£'000)	2023/24 Q2 Forecast (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Net Service Expenditure Budgets						
Environmental and Regulatory Services	473	485	485	485	485	485
Business Support Services - Finance, HR, Procurement	1,014	1,136	1,136	1,136	1,136	1,136
ICT, Change & Customer Services	1,986	2,359	2,359	2,359	2,359	2,359
Land, Legal & Property	750	945	945	945	945	945
Publica CEX	88	131	131	131	131	131
Revenues & Housing Support	342	615	615	615	615	615
Environmental Services	3,891	4,830	4,830	4,830	4,830	4,830
Leisure & Communities	1,393	1,918	1,918	1,918	1,918	1,918
Planning & Strategic Housing	1,743	1,947	1,947	1,947	1,947	1,947
Democratic Services	1,074	1,095	1,095	1,095	1,095	1,095
Retained Services	2,119	2,034	2,034	2,034	2,034	2,034
2023/24 Adjustments to Service Expenditure	387					
Q2 Forecast overspend		925				
Reversal of Accounting Adjustments	(1,636)	(1,636)	(1,636)	(1,636)	(1,636)	(1,636)
Net Service Revenue Expenditure	13,625	16,783	15,858	15,858	15,858	15,858
Corporate Items/Non Service Income & Expenditure						
Bad Debt Provision	0	0	0	0	0	0
Non Service Income & Expenditure	(97)	109	111	111	111	111
Risk and Contract Contingency	0	0	200	200	200	200
Interest Payable	99	14	9	7	99	173
Interest Receivable	(831)	(1,613)	(1,346)	(1,001)	(495)	(495)
Minimum Revenue Provision	17	0	12	35	35	35
Net Transfer from Earmarked Reserves	0	(914)	(845)	(845)	(845)	(845)
Revenue Contribution to Capital Outlay (RCCO)	0	100	200	200	200	200
2024/25 Budget Adj - reversal of RCCO	0	0	(200)	(200)	(200)	(200)
Additional Transfer to Earmarked Reserve - TM Risk	0	0	100	33	0	0
Reserve adjs Non-Estab [BAL100/B8240]	0	0	170	170	170	170
Adjusted Budget	(812)	(2,304)	(1,590)	(1,291)	(725)	(651)
Contract Inflation	1,121	0	1,200	2,033	2,704	3,393
Pay Inflation	28	0	68	109	140	171
Energy Cost Inflation	300	0	(150)	(150)	(150)	(150)
Adjusted MTFS Position	1,449	0	1,117	1,993	2,694	3,414
Service + Corporate Items	14,261	14,479	15,386	16,560	17,827	18,622
Budget Pressures and Growth						
Contract Growth	350	0	0	0	0	0
Budget Pressures	762	0	570	615	677	727
Technical Adjustments	0	0	77	77	77	77
Risk Item - Leisure and Culture Procurement, Contracts	500	398	0	0	0	0
Subtotal	1,612	398	647	691	753	803
Savings and Transformation Plan						
Contract Savings	(500)	(250)	(150)	(250)	(300)	(300)
Fees and Charges	(415)	0	(777)	(1,026)	(1,251)	(1,468)
Corporate Savings	(139)	0	(196)	(392)	(392)	(392)
Expenditure Savings	(456)	0	(913)	(1,263)	(1,263)	(1,263)
Additional Income	0	0	0	0	0	0
Savings Targets	0	0	0	0	0	0
Subtotal	(1,510)	(250)	(2,036)	(2,931)	(3,205)	(3,422)
Net (Savings) or Growth	102	148	(1,389)	(2,239)	(2,452)	(2,619)
Draft Net Revenue Budget	14,364	14,627	13,997	14,320	15,375	16,003

ANNEX B

MEDIUM TERM FINANCIAL STRATEGY



COTSWOLD
DISTRICT COUNCIL

Medium Term Financial Strategy	2023/24 Original Budget (£'000)	2023/24 Q2 Forecast (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Draft Net Revenue Budget	14,364	14,627	13,997	14,320	15,375	16,003
Funded by:						
Council Tax	(6,311)	(6,311)	(6,597)	(6,879)	(7,167)	(7,459)
Business Rates Retention	(4,389)	(4,389)	(5,028)	(4,516)	(2,527)	(2,660)
Returned BRRS Surplus	0	0	0	0	(237)	(237)
Returned cap compensation funding		0	0	0	(453)	(453)
Pixel v5.11.4 Balanced	0	0	528	(74)	0	0
Rural Services Delivery Grant	(707)	(707)	(707)	(707)	(707)	(707)
New Grant (was LTSG) to achieve 3% increase in SP	(1,988)	(1,988)	(2,226)	(2,298)	0	0
Services Grant	(76)	(76)	(12)	(12)	0	0
New Homes Bonus	(290)	(290)	(287)	0	0	0
Revenue Support Grant / (Negative RSG)	(135)	(135)	(144)	(146)	1,723	1,742
Damping (Pixel v5.11.4 @ -5%)	0	0	0	0	(4,413)	(2,641)
Collection Fund - CT	2	2	(28)	0	0	0
Collection Fund - NNDR	390	390	0	0	0	0
TOTAL Funding	(13,503)	(13,503)	(14,500)	(14,632)	(13,780)	(12,414)
Budget Gap / (Surplus)	861	1,124	(504)	(312)	1,595	3,588

ANNEX C – SAVINGS PLAN ITEMS



COTSWOLD
DISTRICT COUNCIL

Savings and Transformation Plan	MTFS Period			
	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Contract Savings				
Publica Savings	(150)	(150)	(150)	(150)
Ubico/ESIP Savings	0	(100)	(150)	(150)
Subtotal	(150)	(250)	(300)	(300)
Corporate Savings				
LGPS - Secondary Rate (PIA) (Budget savings)	(196)	(392)	(392)	(392)
Subtotal	(196)	(392)	(392)	(392)
Expenditure Savings				
Future Publica: Making Service Available online	(75)	(75)	(75)	(75)
Publica Review: Transformation of services	(75)	(150)	(150)	(150)
Ubico - Rezoning of Rounds	(375)	(500)	(500)	(500)
Ubico - Reduce Streets Service	(150)	(300)	(300)	(300)
Publica Service budget savings				
Leisure & Communities	(66)	(66)	(66)	(66)
Planning & Strategic Housing	(12)	(12)	(12)	(12)
Land, Legal & Property	(13)	(13)	(13)	(13)
Environmental & Regulatory Services	(15)	(15)	(15)	(15)
Business Support Services	(12)	(12)	(12)	(12)
Democratic Services	(2)	(2)	(2)	(2)
Environment	(75)	(75)	(75)	(75)
Revenues and Benefits	(42)	(42)	(42)	(42)
Subtotal	(913)	(1,263)	(1,263)	(1,263)
Fees and Charges				
Car Parking Fees - 2024/25 tariff changes	(376)	(506)	(611)	(708)
Car Parking Fees - 2024/25 Sunday Charging	(105)	(109)	(113)	(116)
Garden Waste - 2024/25 Cost Recovery	(169)	(283)	(400)	(517)
Planning Fees - Statutory increase Dec 2023	(100)	(100)	(100)	(100)
Other Fees and Charges - Cost Recovery	(27)	(27)	(27)	(27)
Subtotal	(777)	(1,026)	(1,251)	(1,468)
TOTAL	(2,036)	(2,931)	(3,205)	(3,422)

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ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2027/28



COTSWOLD
DISTRICT COUNCIL

	2023/24 Budget (£'000)	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Programme by Service Area							
Leisure and Communities							
Replacement Leisure Equipment	0	0	0	0	500	0	500
Investment in Leisure Centres	1,200	50	1,150	0	0	0	1,200
CLC Pool Works	110	0	110	0	0	0	110
Government funded decarbonisation	27	27	0	0	0	0	27
Crowdfund Cotswold	50	2	50	50	50	50	202
	1,387	79	1,310	50	550	50	2,039
Housing/Planning and Strategic Housing							
Private Sector Housing Renewal Grant (DFG)	700	1,300	700	700	700	700	4,100
Affordable Housing - Davies Road MiM (S106)	479	188	291	0	0	0	479
Affordable Housing - Davies Road MiM (S106) EI	102	102	0	0	0	0	102
Cottsway Housing Association Loan	2,600	3,055	698	0	0	0	3,753
Bromford Joint Venture Partnership	120	120	600	0	0	0	720
	4,001	4,765	2,289	700	700	700	9,154
Environment							
Waste & Recycling receptacles	55	55	80	80	80	80	375
Litter Bin Replacement	10	0	0	0	0	0	0
Pay and display machines - replacement programme	0	0	0	125	0	0	125
Provision for financing of Ubico Vehicles	1,646	281	1,574	223	5,171	1,740	8,989
In cab technology (Street Cleaning)	0	0	60	0	0	0	60
Electric Vehicle Charging Points	150	91	109	0	0	0	200
Car Park enforcement - vehicle purchase	45	0	0	0	0	0	0
Public Toilets - Card Payment (bc)	50	16	34	0	0	0	50
Changing Places Toilets	0	123	0	0	0	0	123
	1,956	566	1,857	428	5,251	1,820	9,922

ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2027/28



COTSWOLD
DISTRICT COUNCIL

	2023/24 Budget (£'000)	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Programme by Service Area							
ICT, Change and Customer Services							
ICT Capital	150	100	150	150	150	150	700
Planning Documents and Scanning Solution	200	0	200	0	0	0	200
	350	100	350	150	150	150	900
UK Rural Prosperity Fund Projects	191	191	573	0	0	0	764
UK Shared Prosperity Fund Projects	28	28	134	0	0	0	162
Land, Legal and Property							
Trinity Road Carbon Efficiency Works	0	370	0	0	0	0	370
Asset Management Strategy	500	197	300	0	0	0	497
	500	567	300	0	0	0	867
Transformation and Investment							
Tetbury Homeless Property (Cabinet May 2022)	0	90	0	0	0	0	90
Trinity Road Agile Working (Council March 2022)	1,126	1,126	0	0	0	0	1,126
Strategic Property Acquisition	4,360	0	0	0	0	0	0
	5,486	1,216	0	0	0	0	1,216
TOTAL Capital Programme	13,899	7,512	6,813	1,328	6,651	2,720	25,024

ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2027/28



COTSWOLD
DISTRICT COUNCIL

	2023/24 Budget (£'000)	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Financing Statement							
Capital receipts	8,036	5,062	5,006	628	1,780	2,020	14,496
Capital Grants and Contributions	1,576	1,959	1,732	700	700	700	5,791
Earmarked Reserves	0	0	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	150	100	0	0	0	0	100
Community Municipal Investments (CMI)	116	391	75	0	0	0	466
Prudential Borrowing	4,021	0	0	0	4,171	0	4,171
	13,899	7,512	6,813	1,328	6,651	2,720	25,024

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ANNUAL CAPITAL STRATEGY 2024/25

1. STRATEGIC CONTEXT AND PURPOSE

- 1.1 The ongoing impact on the UK from higher inflation, higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will have had a major impact on local communities and businesses within the District. The Council has a key role to play in terms of supporting these going forward while maintaining and improving Council services.
- 1.2 Key drivers of the Council's capital investment programme bring together many aspects of the Council's services and financial planning. This is driven by the Corporate Plan which sets out the Council's drivers in the development and prioritisation of the capital proposals as described below:
- Responding to climate change, including providing electric vehicle charging points, securing investments in renewable energy and support local community led and community owned renewable energy projects.
 - Economic regeneration developments including attracting investment in infrastructure to support better broadband and 5G coverage and using our investments and assets to boost the local economy.
 - Providing socially rented homes by delivery of social rented and affordable accommodation across the District.
 - Maximising opportunities for income generation within projects that support the key priorities of the Council.
- 1.3 The Council has historically been able to manage funding its capital programme through the use of capital receipts, but external borrowing will underpin the planned developments in future years. The Council expects to fund the majority of its capital programme going forward largely from prudential borrowing and use of capital receipts. This discussed in more detail within Section 3 of this report.

2. CAPITAL RESOURCES AND FINANCING

- 2.1 The capital programme is planned to be fully financed from a combination of existing resources, external grants and contributions, capital receipts, and an affordable level of borrowing. The Capital Strategy prioritises the use of external grants and funding where possible to support Council Plan priorities. Where included, capital receipts assumptions are based on a prudent level of expected capital receipts from asset sales, loan repayments and other sources.



- 2.2 Resources of £17.6m have been identified to fund the four-year capital programme from 2024/25 to 2027/28, with £4.3m of this being through prudential borrowing. The Council will ensure that any borrowing will be undertaken in accordance with the Prudential Code for local authority capital finance and within the framework and policies set out in this capital strategy.
- 2.3 Revised or additional capital budgets funded from corporate resources may be approved by Cabinet or Council, in accordance with the Council's Financial Rules. Additional prudential borrowing must be approved by full Council.
- 2.4 A breakdown of the resources utilised to fund the capital programme is shown in **Chart I** and **Table I** below:

Chart I – Resources to fund the capital programme 2024/25– 2027/28

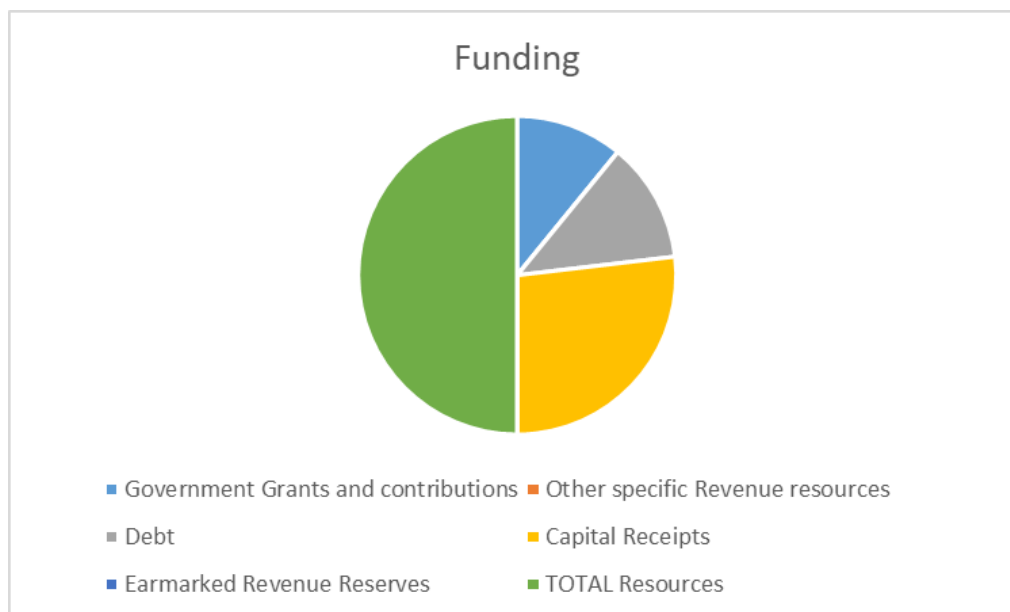




Table I – Capital Financing

	2022/23 Actual (£m)	2023/24 Forecast (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)
Specific Resources						
Government Grants and contributions	2.1	1.9	1.7	0.7	0.7	0.7
Other specific Revenue resources	0.2	0.1	0.0	0.0	0.0	0.0
SUBTOTAL Specific Resources	2.3	2.0	1.7	0.7	0.7	0.7
Corporate Resources						
Debt	0.0	0.4	0.1	0.0	4.2	0.0
Capital Receipts	2.1	5.1	5.0	0.6	1.8	2.0
Earmarked Revenue Reserves	0.2	0.0	0.0	0.0	0.0	0.0
SUBTOTAL Corporate Resources	2.3	5.5	5.1	0.7	6.0	2.0
TOTAL Resources	4.6	7.5	6.8	1.4	6.7	2.7

3. CAPITAL EXPENDITURE

- 3.1** Capital expenditure is where the Council spends money on assets, such as land, property, or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are treated as operational expenditure and charged to the revenue budget. For details of the Council's policy on capitalisation, see the Council's accounting policy which are contained with the annual Statement of Accounts. [2022/23 Draft Statement of Accounts](#)
- 3.2** Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £6.8m in 2024/25 and £17.6m over the four-year period to 2027/28 as summarised below in Table 2:



Table 2 – Estimates of Capital Expenditure

Spend by Council Priority Area	2022/23 Actual (£m)	2023/24 Forecast (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)
Climate Emergency	0.1	0.5	0.1	0.0	0.0	0.0
Wellbeing	0.4	0.1	1.3	0.1	0.6	0.1
High quality services	0.8	0.8	2.4	0.6	5.4	2.0
Housing	3.1	4.9	2.3	0.7	0.7	0.7
Vibrant Economy	0.0	0.2	0.7	0.0	0.0	0.0
SUBTOTAL Priority Areas	4.4	6.4	6.8	1.3	6.7	2.7
Capital investments	0.2	1.1	0.0	0.0	0.0	0.0
TOTAL	4.6	7.5	6.8	1.3	6.7	2.7

- 3.3** New projects and priorities are identified through the Council's financial planning process and are added to the capital programme. Further detail on planned expenditure in each of the Council Priority areas is included within Annex D of the Medium-Term Financial Strategy.
- 3.4** The Council manages capital risks through its business case appraisal and approval arrangements. The Council will need to consider the best approach for the review of capital business cases before recommendation for approval of expenditure by Cabinet or Council. Capital programme expenditure and treasury management performance is regularly monitored and reported to Members at the Audit Committee, Overview and Scrutiny Committee and Cabinet in accordance with the Constitution. Capital risks have also been considered by the Chief Finance Officer as part of the annual report on the adequacy of Council reserves.



4. CAPITAL FINANCING – EXTERNAL RESOURCES

- 4.1 Where capital expenditure is funded from external resources such as grants and contributions the financing cost is nil.
- 4.2 The Council will continue to support the community through the allocation of Disabled Facilities Grant which is funded through a grant of approximately £0.7m per year.

5. CAPITAL FINANCING – INTERNAL RESOURCES

Financing from Capital Receipts

- 5.1 Capital receipts from the disposal of assets represent a finite funding source and it is important that a planned and structured approach to disposals is taken to support the corporate priorities of the Council. The Council's estate is managed through the Property Services Team.
- 5.2 **Asset management:** An updated asset management strategy, supported by detailed asset management plans, is being prepared. The strategy will help ensure that the Council's capital assets are maintained and developed and continue to contribute effectively to the delivery of the Council's services, support the local economy or provide income in line with expectations. Where there are opportunities to use assets more effectively to delivery Council Priorities, businesses cases are presented to the Cabinet or Council for approval.
- 5.3 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects for a further 3 years until 2025/26 (subject to guidance from Government). Repayments of capital grants, loans and investments also generate capital receipts.
- 5.4 All land and buildings which are surplus to existing use will be reviewed before any Council decision is made, to ensure the re-use or disposal of the asset provides best value in supporting the Council's objectives.
- 5.5 **Table 3** shows forecast of Capital Receipts over the medium-term.



Table 3: Capital receipts receivable in £m

Capital Receipts	2022/23 Actual (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)
Asset sales*	0.4	-0.2	-0.2	0.0	0.0
Ubico Loans repaid for Vehicle purchase	0.9	-0.9	-0.8	-0.8	-0.8
Other Loans repaid	0.0	-1.5	-0.6	0.0	0.0
TOTAL	1.3	-2.6	-1.6	-0.8	-0.8

** Asset sale receipts includes receipts from "Right to Buy" asset disposals from Bromford Housing Association.*

- 5.6 There are no significant asset disposals planned between 2023/24 and 2026/27.
- 5.7 The Council's Audit Committee receives information on the Council's asset portfolio as part of consideration of the financial statements.

Financing from Earmarked Reserves

- 5.8 There are no plans to fund the current Capital Programme from earmarked reserves.

Table 4: Capital Programme Funded by earmarked reserves

Reserve Funding	2023/24 Budget (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)
Service Improvements	0.0	0.0	0.0	0.0
Investment	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0

6. CAPITAL FINANCING – DEBT AND TREASURY MANAGEMENT

- 6.1 Local authorities are required by law to set an overall limit on their debt outstanding, including loans and other long-term liabilities. This 'prudential limit' may not be exceeded, so the Council's proposed limit allows for risks, uncertainties, and potential changes during the year which may need to be accommodated within this overall limit. The outstanding borrowing for the Council after use of internal resources (such as capital receipts or revenue reserves) is outlined in **Table I**.



- 6.2** The Council's debt liabilities and its investments arising from day-to-day cash flows need careful management in order to manage the costs and risks. This is the subject of the Council's Treasury Management Strategy and Policies.
- 6.3** The Council has a low to moderate appetite for taking financial risk and this is reflected in this Capital Strategy. Treasury Management risks are managed through the Treasury Management Strategy and Policy.

Borrowing Strategy

- 6.4** The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility to adapt to changes in the future. These objectives are often conflicting, and the Council will therefore seek to strike a balance between lower-cost short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 6.5** Local Authorities must not borrow more than or in advance on their needs purely in order to profit from the investment of extra sums borrowed. The Council plans to borrow in 2026/27 to invest in new capital schemes. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.
- 6.6** The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 6.7** The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that debt should remain below the CFR, except in the short term. The CFR for each financial year is set out in Table 5 below and shows that the estimated borrowing complies with this.

Table 5 – Capital Financing Requirement by General Fund services (Council Priorities) and Capital Investments

Capital Financing Requirement	2022/23 Actual (£m)	2023/24 Budget (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)
Investment in Council Priorities	0.0	0.4	0.4	0.4	4.5
Capital Investments	0.0	0.0	0.0	0.0	0.0
TOTAL CFR	0.0	0.4	0.4	0.4	4.5

Liability Benchmark

- 6.8 To compare the Council's estimated borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £13m at each year-end. The liability benchmark is currently -£9m and is forecast to rise to £0.69m over the next three years.
- 6.9 Table 6 below shows that the Authority expects to remain borrowed above its liability benchmark until 2026/27. This is because a deliberate decision was made to borrow additional sums through a Community Municipal Investment to give local people a chance to invest in a cleaner, greener, healthier future for the Cotswolds.

Affordable Borrowing Limit

- 6.10 The Council is also legally obliged to set an affordable borrowing limit (also known as 'authorised limit for external debt'. In line with statutory guidance, a lower 'operational boundary' is also set as a warning level should debt approach the limit.

Table 6 - Forecast Debt and Prudential Indicators

	Actual as at 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)	Forecast to 31/03/2027 (£m)
Forecast outstanding borrowing / Debt	0.45	0.36	0.26	0.16	0.05
Capital Financing Requirement	0.00	0.39	0.44	0.40	4.54
Liability benchmark	(12.76)	(9.54)	(5.33)	(5.82)	0.69
Authorised limit	10.00	10.00	10.00	10.00	10.00
Operational boundary	5.00	5.00	5.00	5.00	5.00

- 6.11 The Council's full MRP statement is included as Appendix I-A and is also mirrored in the Annual Treasury Management Strategy.

Revenue Budget Implications

- 6.12 Although capital expenditure is not charged directly to revenue, the interest payable on loans and provision for repayment of loans (MRP) will be. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. This charge is known as financing costs. The proportion of financing



costs to net revenue stream, i.e., the amount funded from Council Tax, Business Rates and General Government Grants is shown in Table 7.

Table 7 – Financing costs as a proportion of revenue (£m)

Financing costs	Actual as at 31/03/2023	Forecast to 31/03/2024	Forecast to 31/03/2025	Forecast to 31/03/2026	Forecast to 31/03/2027
Financing costs (£m)	0.008	0.009	0.019	0.040	0.053
Proportion of net revenue stream	0.06%	0.07%	0.14%	0.29%	0.48%

6.13 The funding available from Government from 2026/27 onwards is very uncertain due to changes due to be implemented to local government funding. The proportion indicator should therefore be treated as highly indicative.

6.14 Further details on the revenue implications of capital expenditure are covered in section 5 of the *2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy* report. [Link.](#)

Sustainability

6.15 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable because the net budget demand on the Council and the risks within the programme have been reviewed and are within the Council's risk appetite and tolerances.

7. TREASURY MANAGEMENT

7.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

7.2 Due to decisions taken in the past, the Authority currently has £0.4m borrowing at an average interest rate of 2.2% and £37.10m treasury investments at an average rate of 4.92%.



- 7.3** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 7.4** The Authority's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Authority may request its money back at short notice.

Table 8 – Treasury management investments (£m)

Treasury Management Investments	Actual as at 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)	Forecast to 31/03/2027 (£m)
Near-term investments	16.5	10.4	6.1	6.5	1.9
Longer-term investments	12.5	12.5	12.5	12.5	10.5
TOTAL	29.0	22.9	18.6	19.0	12.4

- 7.5** Further details on treasury investments are included in Section 4 of the Treasury Management Strategy [\[link\]](#)
- 7.6 Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included within Table 4a and Section 7 of the Treasury Management Strategy [\[link\]](#)
- 7.7 Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Audit Committee, Overview and Scrutiny and then Council. The Audit Committee is responsible for scrutinising treasury management decisions.



8. INVESTMENTS FOR SERVICE PURPOSES

- 8.1** The Council makes investments to assist local public services, including making loans to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Total investments for service purposes are currently valued at £1.4m with the largest being a loan facility to a local housing association with a current balance of £0.9m.
- 8.2 Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even or generate a small profit after all costs. A limit of £4.6m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 8.3 Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The Chief Finance Officer is responsible for ensuring that adequate due diligence is carried out before investment is made. At this time, independent advice may be sought from organisations such as Arlingclose as Treasury Advisors.
- 8.4** Further details on service investments are in **Sections 3 and 4** of the Annual Non-Treasury Investment Strategy: [\[link\]](#)

9. COMMERCIAL ACTIVITIES

- 9.1** Commercial investments or activities are those the Council invests in purely for financial gain. With Government financial support for local public services declining, the Authority has previously invested in commercial property purely or mainly for financial gain. Total commercial property investments are currently valued at £5.37m, with the largest being £1.355m (Cirencester town centre property leased as retail units) at 31 March 2023 providing a net return after all costs of 7.18%.
- 9.2** With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include: vacancy periods (voids) between tenants, cost of material repairs to property, risk of fire or flood damage. These risks are managed by: acquiring properties with long leases and with tenants with a strong covenant and insuring the property. In the longer term, the changing nature of the high street for retail occupants may require the Council to review its commercial property holdings. These risks are managed by the Council's Property Services Team. The



Council also has a Corporate Risk Register which is reported quarterly to the Council's Audit Committee and includes any significant risks arising from commercial investments. In order that commercial investments remain proportionate to the size of the authority, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services, these are subject to an overall maximum investment limit of £10m.

- 9.3** Decisions of commercial investments are made by the Council in line with the criteria and limits approved by Council in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the Capital Programme. The Chief Finance Officer for ensuring that adequate due diligence is carried out before an investment is made.
- 9.4** Further details on commercial investments and limits on their use are included in Section 5 of the Investment Strategy.

Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream

PI: Net Revenue Stream	2022/23 Actual	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Total net income from service and commercial investments (£m)	0.40	0.37	0.38	0.38	0.39
Proportion of net revenue stream	3.14%	2.77%	2.59%	2.60%	2.81%

10. OTHER LIABILITIES

- 10.1** In addition to debt of £0.4m detailed above, the Authority is committed to making future payments to cover its pension deficit (valued at £7m). It has also set aside £1m to cover risks of Business Rate valuation appeals.

11. GOVERNANCE

- 11.1** The CIPFA Prudential Code expects local authorities to consider and approve a number of 'prudential indicators'. These relate to the capital programme generally as well as borrowing and are set out in the sections above.



- 11.2** The Council will use borrowing in accordance with the CIPFA 'Prudential' system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint. Prudential borrowing is an important way to fund the Council's own priorities where external funding cannot be obtained. The Council sets and monitors prudential indicators to manage its debt exposures.
- 11.3** In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e., MRP).
- 11.4** The Council is mindful of Government and CIPFA advice that commercial investments including property must be proportionate to the resources of the authority. The Council is not currently planning any investments primarily for yield. All service and commercial investments will have regard to the guidance and lending terms issued by HM Treasury.
- 11.5** The arrangements for realising investments and managing liquidity risk will depend on the purpose and nature of the investment in each case. Where investments have been made to support service purposes and have been funded from cash resources, there is not a funding pressure to have an investment exit route in place. Where investments are funded by borrowing, the Council's MRP Policy sets out the arrangements to repay debt without resorting to a sale of the investments.
- 11.6** Financial and property investment decision making will follow the Council's Business Case governance requirements, with particular attention to expert due diligence, robust financial appraisal and taking external advice in consultation with the Chief Finance Officer. New investments must reflect the Council's core priorities and must be agreed by the Chief Finance Officer before presentation of any Council decision report.
- 11.7** Decisions on incurring new discretionary liabilities are taken by the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by finance and reported quarterly to Cabinet.
- 11.8** Advisers will be used where necessary to ensure that the Council is provided with sufficient skills and understanding to support robust decision making. In particular, the Council's treasury management adviser (Arlingclose) can provide support in relation to financial investments.
- 11.9** Officer and Member training will be available through the Council's treasury advisers. Information relevant to investment decisions will form part of Council decision reports to members. Due diligence requirements for investments will ensure that officers are aware of the core principles of the prudential framework and local authority regulatory requirements.



These arrangements will support the capacity, skills and culture of the Council in making and managing investments for service and commercial purposes.

12. MANAGEMENT OF THE CAPITAL PROGRAMME

- 12.1** In the above context of needs and resources, the Council has developed policies and high-level processes to ensure the effective management of capital. This will be overseen by the Council through strong governance and assurance processes for capital planning, capital appraisal and approval, project management, and capital monitoring and review.
- 12.2** Service managers contribute annually, in the autumn, to the Council's revenue budget and capital programme. The Finance Team collates proposed changes to the Capital Programme for consideration by the Cabinet as part of the Council's budget setting process. The financing cost (which can be nil for projects funded from Council resources or external grants) is included in the Medium-Term Financial Strategy and detailed budgets for the forthcoming financial year. The Council's Overview and Scrutiny Committee considers both the Medium-Term Financial Strategy and the detailed budget. The comments of the Overview and Scrutiny Committee are reported to Cabinet when the Medium-Term Financial Strategy and detailed budget proposals are considered. Cabinet recommends the final Capital Programme and revenue budgets to Council in February each year.
- 12.3** The Council will need to consider the best approach for the consideration of capital business cases for projects which support the priorities of the Council prior to recommendation for approval of expenditure by Cabinet or Council. For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2024: [link to be added when Cabinet papers are published.](#)
- 12.4** All use of capital resources, including capital receipts, will be prioritised across the Council as a whole in relation to the Council's key priorities.
- 12.5** The Council's MTFS sets out the financial challenges and risks which the Council is currently managing. The Council's risk appetite is moving from low to moderate and Members are prepared to consider investments with a moderate level of risk for which there is an appropriate level of financial return. A combination of the Chief Finance Officer, the Council's Legal Team, Public Finance, Group Manager and Strategic Director staff will support Council Member governance structures in ensuring that where risks are taken, they are fully understood and proactively managed.
- 12.6** The staff responsible for making capital expenditure, borrowing and investment decisions are professionally qualified and experienced. Use is also made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors and other specialist advisors to support on specific transactions as



required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to the relevant skills and knowledge when required.

- 12.7** In-year revised or additional capital budgets may be approved by Cabinet or Council. The Financial Rules set out the decision-making process for approving additional in-year capital budgets. The Council will decide upon changes to the prudential borrowing limits.

**ANNUAL MINIMUM REVENUE PROVISION STATEMENT****I. MRP STATEMENT 2024/25**

- I.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- I.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- I.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- I.4 For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- I.5 For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- I.6 Where former operating leases have been brought onto the balance sheet on 01 April 2024 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- I.7 Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged unless (a) the loan is for an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in year.



However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

- 1.8** At the commencement of 2023/24 the Council had, a Capital Financing Requirement (CFR) of £0.020m in relation to capital expenditure incurred in 2022/23 financed from borrowing via a Community Municipal Investment (CMI). Borrowing undertaken through the CMI in 2022/23 will require MRP to be charged to the Council's General Fund Revenue Account in 2024/25 and future years.
- 1.9** Capital expenditure incurred during 2024/25 which is financed from the CMI will not be subject to MRP charge until 2025/26.
- 1.10** Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2024, the MRP budget for 2024/25 has been set at (£0.012m).
- 1.11** Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.

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ANNUAL TREASURY INVESTEMENT STRATEGY 2024/25

I. INTRODUCTION

I.1 This report sets out the Treasury Management Strategy and policy for 2024/25. It includes: the interest rate outlook, the Council's treasury management arrangements for the year and the overall framework and risk management controls which are used in carrying out the Council's borrowing, lending and other treasury activities.

I.2 The Council's treasury management objectives and activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

"The management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

I.3 Effective treasury management will provide support towards the achievement of the Council's business and service objectives. The Council is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

I.4 This Treasury Strategy forms part of the overall Corporate Planning Framework which complies with the statutory requirement to have regard to the following Codes and Guidance:

- CIPFA's Code of Practice for **Treasury Management in the Public Services** (revised December 2017 and 2021 code)
- CIPFA's **Prudential Code for Local Council Capital Finance** (revised December 2017 and 2021 code)
- The Government Guidance on **Local Council Investments**

I.5 It provides a mechanism by which treasury management decisions can be aligned with the overarching corporate priorities and objectives over the medium term.

I.6 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.

I.7 A detailed assessment of the current economic background and the forecast impact on credit and interest rates has been provided by the Council's Treasury Management advisors, Arlingclose. This is included as Appendices I-A to this Strategy.

2. PURPOSE OF TREASURY MANAGEMENT

- 2.1 The 2024/25 Treasury Management Strategy has been developed with the following key aims:
- To outline how the Council will manage and invest its money to ensure it will have the financial resources to support the key priorities outlined in its Corporate Strategy.
 - To set out key principles on which borrowing and investment decisions are made, including how security and risk are assessed.
 - To present the arrangements for managing and monitoring treasury management decisions, including assessment of outcomes and the alignment to the Corporate Strategy.

3. TREASURY MANAGEMENT STRATEGY

- 3.1 The Council's objectives in relation to debt and investment can be stated as follows:

"To assist the achievement of the Council's service objectives by obtaining funding and managing the Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."

- 3.2 The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.
- 3.4 Therefore, for the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.
- 3.5 It is not possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:
- Interest rate risk - the risk that future borrowing costs rise
 - Credit risk - the risk of default in a Council investment
 - Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed.
- 3.6 The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI) which targeted a £0.500m fundraise closed on the 16 August 2022, fully



funded by over 450 investors. As at 1 January 2024 the Council therefore holds a £0.404m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments at a rate of 2.2% (including management fees). The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCPs) around the district to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.

- 3.7** If the Council undertakes further borrowing it will be important for the Council to manage its interest rate exposure due to the risk that changes in the level of interest rates leads to an unexpected burden on the Council's finances. The stability of the Council's interest costs will be affected by the level of borrowing exposed to short term or variable interest rates. Short term interest rates are typically lower, so there can be a trade-off between achieving the lowest rates in the short term and in the long term, and between short term savings and long term budget stability.
- 3.8** As a result, the approach to risk must be implemented flexibly in the light of changing market circumstances.

4. WHY AND HOW WE INVEST OUR MONEY

- 4.1** The revised CIPFA Prudential and Treasury Codes recommend that councils' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local Council investment:
- **Treasury management investments**, which are taken to manage cash flows and as part of the Council's debt and financing activity.
 - **Commercial investments** (including investment properties), which are taken mainly to earn a positive net financial return.
 - **Service investments**, which are taken mainly to support service outcomes.
- 4.2** The Council's Investment Strategy outlines the principles and arrangements in place for the second two categories of investment. The Treasury Management Strategy focuses on the first category. The following paragraphs set out the Council's policy for these 'treasury management' investments.
- 4.3** The Council holds significant 'treasury management' funds representing income received in advance of expenditure and reserves held. In the past 12 months, the Council's investment balance has averaged from £26.9m to £54.9m. The large range was due to the Council holding grants that were due to be returned to the Government. The average forecast investment balance for 2024/25 is estimated to be around £27.5m
- 4.4** On 31 December 2023, the Council held £38.178m of treasury investments which are outlined in Table 1.



Table I – Treasury investments as at 30 December 2023

Treasury Investments	31 December Actual Portfolio £m	31 December Average Rate %
Money Market Funds/Call Accounts and other pooled funds	6.9	5.313
Short Term Investments – Bank of England DMADF	17.7	5.261
CCLA Property Investment Management	2.5	4.48
CCLA Diversified Income	1.0	3.69
Schroders Unit Trusts Ltd	1.0	7.22
M&G Securities Ltd	2.0	6.63
Ninety One (formerly Investec)	2.0	4.03
Columbia Threadneedle Fund	2.0	3.9
Federated Cash Plus Fund	1.0	N/A
Fundamentum Housing REIT	1.0	2.85
Total treasury investments	37.1	4.92

4.5 Forecast investments over the next three financial years are shown in Table 2.

Table 2 – Investments Balances

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Short term holdings					
Call Accounts	3.104	0.000	0.000	0.000	0.000
MMFs	8.979	10.299	5.995	6.382	1.765
Short Term Deposits	4.283	0.000	0.000	0.000	0.000
Current Account	0.126	0.100	0.100	0.100	0.100
Total Short term	16.492	10.399	6.095	6.482	1.865
Longer term holdings					
Pooled Funds	10.500	10.500	10.500	10.500	8.500
REIT	1.000	1.000	1.000	1.000	1.000
Cash + Fund	1.000	1.000	1.000	1.000	1.000
Total Longer term	12.500	12.500	12.500	12.500	10.500
TOTAL INVESTMENTS	28.992	22.899	18.595	18.982	12.365

4.6 The Council's policy on treasury investments, in line with the CIPFA code, is to prioritise security and liquidity over yield. This focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely to minimise risk



of loss. Money held for the longer term is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both short term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy. The Council is also able to request the return of its funding at short notice with these pooled funds. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing inflation rate, in order to maintain the spending power of the sum invested.

- 4.7** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.
- 4.8** The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. The BoE expects CPI inflation to continue to fall but may take up to 2025 to reach their 2% target. The Council has been able to take advantage of the higher interest rates in 2023/24 to generate income to support key priorities, however it is widely considered that interest rates have peaked and will start to reduce in the second quarter of 2024/25.
- 4.9** Under Financial Reporting Standards (IFRS 9), the accounting for certain investments depends on the Council's business model for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.10** The Council will continue to make deposits only with institutions having high credit quality as set out in the Approved Investment Counterparties and Limits, Table 3 below. These limits have been set by the Council in consultation with Arlingclose, the Council's Treasury advisors. Further explanation of each of the categories in Table 3 are included as Appendix I-B.



Table 3 – Approved Investment Counterparties and Limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	5 years	£3m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m
Other investments *	5 years	£1m-£3m	£10m

** Investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*

- 4.11** Treasury investments will only be made with entities whose lowest published long term credit rating is no lower than an A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely on credit ratings, and all other relevant factors including external advice will be taken into account.
- 4.12** Money may be lent to the Council's own banker (Lloyds Banking Group), in accordance with the above lending limits. However, if Lloyds Bank does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.
- 4.13** Credit rating methodologies and credit limit requirements may change as the circumstances demand: in this event the Deputy Chief Executive Officer may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.
- 4.14** Temporarily surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12



months is envisaged, it may be appropriate to include some longer term (non-specified) investments within a balanced risk portfolio.

- 4.15** In making investments in accordance with the criteria set out in this section, the Deputy Chief Executive Officer will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will usually earn less than riskier ones.
- 4.16** The Council does not currently use investment managers (other than through the use of pooled investment vehicles such as Money Market Funds). However, if investment managers are appointed, their lending of Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Deputy Chief Executive Officer.
- 4.17** The Council seeks to be a responsible investor. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore this policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5. HOW WE BORROW MONEY

- 5.1** As outlined in paragraph 3.6 at 1st January 2023, the Council holds a £0.404m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments. There are plans to borrow in the future to fund the Capital Programme. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The net borrowing can be reduced from this total through the use of reserves and working capital.
- 5.2** CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the following three years. Table 4 shows that the Council expects to comply with this recommendation during 2024/25.
- 5.3** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing, see Table 4a. This assumes that cash and investment balances are kept to a minimum level of £13m at year end to maintain sufficient liquidity but minimise credit risk.

- 5.4** The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- 5.5** The total forecast net borrowing against the CFR and liability benchmark is set out in the Table 4 and Table 4a below for the period of the Medium Term Financial Strategy.

Table 4 - Forecast Borrowing Requirement £m

	31.3.23 Actual	31.3.24 Estimate	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
CFR	0.020	0.387	0.435	0.400	4.536
Less Outstanding External Borrowing	-0.451	-0.357	-0.260	-0.158	-0.051
Internal Borrowing	-0.431	0.0300	0.175	0.242	4.485
Usable reserves	-22.869	-20.429	-16.270	-16.725	-14.350
Working capital	-4.672	-2.500	-2.500	-2.500	-2.500
Investments	-27.972	-22.899	-18.594	-18.982	-12.365

Table 4a – Prudential Indicator: Liability Benchmark £m

	31.3.23 Actual	31.3.24 Estimate	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
CFR	0.02	0.39	0.44	0.40	4.54
Less Balance Sheet Resources	-27.78	-22.93	-18.77	-19.22	-16.85
Net Loans Requirement	-27.76	-22.54	-18.33	-18.82	-12.31
Plus Liquidity Allowance	15.00	13.00	13.00	13.00	13.00
Liability Benchmark	-12.76	-9.54	-5.33	-5.82	0.69

- 5.6** This benchmark is currently £-9.54 million, reflecting the fact that there is no requirement to undertake external borrowing and its cash balances are invested through application of the Treasury Management Strategy. Over the next two years, the liability benchmark moves to £0.69 million reflecting a use of capital receipts and earmarked reserves to partially fund the Capital Programme and need to externally borrow as represented in table 4.



Borrowing Strategy

- 5.7 This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long term borrowing.
- 5.8 The borrowing will be required to fund significant investments into the Council's key priorities as outlined in the Corporate Strategy, the key priorities are outlined below:
- Delivering Good Services
 - Responding to the Climate Emergency.
 - Delivering Housing
 - Supporting Communities
 - Supporting the Economy
- 5.9 The Council's main objective when borrowing money is to strike a balance between securing low interest rates and certainty of costs over the period for which funds are required.
- 5.10 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. Short-term interest rates continue to be similar to long-term rates, it is likely to be more cost effective in the short term to use internal resources or to borrow short term loans until interest rates decrease and then look at longer term loans.
- 5.11 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of doing this will be monitored regularly against the potential for incurring additional costs by deferring borrowing into the future when long term borrowing rates are forecast to rise modestly, even if this causes additional cost in the short term.
- 5.12 The Council may also borrow short term loans to cover unplanned cash flow shortages.

Sources of Borrowing

- 5.13 The main source of long term borrowing for local authorities historically has been the **Public Works Loans Board (PWLB)**. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken any PWLB borrowing to fund commercial investments for yield and does not plan to do this in the future in order to retain access to PWLB loans. All capital investments are linked to service developments. The PWLB rate offers a cheaper and quicker route to borrowing than alternative sources of borrowing. The Council would thus aim to use the PWLB for its long term borrowing needs. In addition, it is uncertain how private sector lenders would view the risk profile for councils that were no longer eligible for PWLB loans.

- 5.14 The UK Municipal Bonds Agency Plc** was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital market and lends proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons; borrowing authorities are required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and Full Council.
- 5.15 LOBOs:** The Council currently does not hold any LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.
- 5.16 Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators.
- 5.17 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
- 5.18 Local Climate Bonds /Community Municipal Investments** are a form of debt/loan-based crowdfunding. Community Bonds are issued by a council corporate body, with residents and general public investors providing capital on the basis of receiving a financial return. The majority of community bonds are typically linked in some form to environmental or social criteria and provide tangible benefit to the local community beyond just financial. Details of the Council's Community Municipal Investment are outlined in paragraph 3.6.
- 5.19** The Council will continue to monitor market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others and sale and leaseback arrangements.
- 5.20** The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Section 7.



- 5.21** The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Deputy Chief Executive Officer in accordance with treasury management delegations.

6. MONITORING TREASURY MANAGEMENT INVESTMENTS

- 6.1** The CIPFA guidance for Treasury Management in the Public Services (2021 edition), requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.
- 6.2** The guidance also requires the Council to produce reports on its treasury and investment management policies, practices, and activities, as a minimum with quarterly and mid-term review and an annual report after year end closure.
- 6.3** The Council delegates responsibility for the implementation and regular monitoring of its treasury management practices to Cabinet and for the execution and administration of treasury management decisions to the Deputy Chief Executive Officer, who will act in accordance with this strategy. The Audit Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 6.4** Credit ratings are monitored on a real-time basis as provided via Arlingclose, and the Council's lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.
- 6.5** Where deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt management Office or invested in government treasury bills or other local authorities, as decided by the Deputy Chief Executive Officer.
- 6.6** In order to monitor this, the Council has set cash limits on the credit quality of the investments and their limits as can be seen in Table 3, section 4.10 above.



- 6.7 The Council's revenue reserves available to cover investment losses are forecast to be **£3.4m** on 31 March 2024. In order to ensure that no more than a maximum of available reserves of 25% are therefore put at risk in the case of single default (other than the UK Government), the total lending limit will be £3m. A group of banks under the same ownership will be treated as a single organisation. Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as in Table 5 below. Investments in pooled funds and multilateral development banks do not count against the limit for a single foreign currency, as the risk is spread over many countries.

Table 5 – Cash Limit by Organisation

Table 5 – Cash Limits	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£4m per fund manager
Foreign countries	£3m per country
Registered providers	£3m in total
Real estate investment trusts	£3m per REIT
Unsecured investments with building societies	£2m in total per BS
Money Market Funds	£20m in total

- 6.8 The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's MTFS and cash flow forecast.
- 6.9 The Treasury Management team has suitably qualified and trained staff to actively manage treasury risks within this Policy framework. Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example require external advice and support based on an assessment at the time, to the extent that skills and resources are available:
- the refinancing of existing debt
 - forward-starting loans
 - leasing and hire purchase
 - use of innovative or more complex sources of funding such as green bond issues, private placements and sale and leaseback structures



- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

6.10 The Council appointed Arlingclose Limited to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisors are a useful support in view of the size of the Council's transactions and the pressures on staff time. The contract with Arlingclose was renewed at 1st March 2023 and is due to end February 2026.

6.11 Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £13m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme or to meet other expected cash flows.

7. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

7.1 The Council is required under the Local Government Act 2003 and the CIPFA Treasury Management Code to set Prudential Indicators for treasury management to measure and manage its exposure to treasury management risk using the following indicators:

7.2 Security – The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA=2 etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit	A-

7.3 Interest Rate exposures – This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one year impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-£0.153m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.153m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

- 7.4 Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 30 years	100%	0%
30 years and above	100%	0%

- 7.5** Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 7.6 Long term treasury management investments** – The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities for longer than a year will be:

Price risk indicator	2024/25	2025/26	2026/27
Limit on principal invested for longer than a year.	£13m	£13m	£13m
Amounts invested in longer term instruments with no fixed maturity date	£13m	£13m	£13m

8. TREASURY MANAGEMENT REVENUE BUDGET

- 8.1** The budget for investment income in 2024/25 is £1.223m, based on an average investment portfolio of £27.5m at an interest rate of 4.75%.
- 8.2** The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.464m.
- 8.3** Investments in liquid assets such as bank deposits and money market funds are expected to return 4.45% and generate a yield of £0.759m.
- 8.4** This estimate reflects a prudent view of investment income. Actual interest income will be affected not only by future interest rates, but also by the Council's cash flows and the level of its revenue reserves and provisions.

9. OTHER

- 9.1** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 9.2** The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 9.3** In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 9.4** MiFFID 2 is a legislative framework instituted by the European Union to regulate the financial markets and improve protections for investors. This Council has elected for Professional Client Status which means that to be able to invest in certain investments, it must hold a minimum of £10m in investments. If this falls below the minimum level, then access to certain financial market instruments could be made unavailable to this Council.

APPENDIX I-A

Arlingclose Economic and Interest Rate Forecast (December 2023)

UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely although downside risks will increase as the UK economy likely slides into recession.

The Monetary Policy Committee's (MPC's) message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecast.

Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managing Index (PMI) figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.

Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects have diminished.

Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.

Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.

There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

ANNEX F: APPENDIX I-B



COTSWOLD
DISTRICT COUNCIL

Forecast:

The MPC held Bank Rate at 5.25% in December, Arlingclose believes this is the peak.

The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early mid 2026.

The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.28	4.35	4.30	4.25	4.10	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.32	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.78	4.70	4.65	4.55	4.45	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.38	4.30	4.25	4.20	4.15	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

APPENDIX I-B

Criteria Definitions

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to

diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council banks with Lloyds (Lloyds Banking Group). On adoption of this strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Council's intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy Investments: The Council will provide cash flow for third party organisations linked to the Council. The following limit is set for 2024/25

- Publica Group - £0.5m up to one year duration
- Ubico - £0.5m up to one year duration

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ANNUAL NON-TREASURY INVESTMENT STRATEGY 2024/25

1. INTRODUCTION

- 1.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (service investments), and
 - to earn investment income (known as commercial investments where this is the main purpose).
- 1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 1.3 The statutory guidance defines investments as “of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios”. The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services.

2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure as a Council Tax ‘billing authority’ it collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £27.5m and £19.5m during the 2024/25 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.



- 2.3 Further details:** Full details of the Authority's policies and its plan for 2023/24 for Treasury Management investments are covered in a separate document, the Treasury Management Strategy, available here: [\[link\]](#).

3. SERVICE INVESTMENTS: LOANS

- 3.1 Contribution:** The Council lends money to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative. During 2023/24 the Council has provided a loan facility of up to £1.8557m short term and has committed to provide a facility of £1.897m (over 50 years) to a local Housing Association which supports the Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure.
- 3.2 Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

*Table 1: Loans for service purposes in £*

Category of borrower	31.3.2023 actual			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	358,473	0	358,473	450,000
Housing associations	31,500	0	31,500	3,000,000
Loans to Ubico (£500,000) or Publica £500,000)	0	0	0	1,000,000
Local residents (equity loans)	96,967	0	96,967	130,000
Employees (car loans)	2,283	0	2,283	10,000
TOTAL	489,222	0	489,222	4,590,000

3.3 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans the Council has made are limited to specific service areas and the likelihood of non-payment is considered minimal. There is no history of non-payment and no evidence to suggest that there will be any default against loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default, then the risk will be assessed and a provision established at that time. Should a loan default, the Authority will make every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.4 In addition to the loans granted, the Council has included provision in its Treasury Management Strategy to loan up to £0.500m to both Ubico and Publica Group (Support) Limited, should either company require support. The Council is a shareholder in Ubico and a shared owner in Publica. In both cases, the loan facility is to enable the Council to provide a loan for short-term cash flow purposes. No loans are currently in place.



- 3.5 Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring the appropriate legal documentation is in place to secure the Council's money.

4. SERVICE INVESTMENTS: SHARES

- 4.1 Contribution:** The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council. Ubico is wholly owned by eight local authorities and operates as a not for profit enterprise.
- 4.2 Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council's investment is fixed at £1.

Table 2: Shares held for service purposes in £

Category of Company	31.3.2023 actual			2024/25
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local Authority owned company	1	-	1	1
TOTAL	1	0	1	1

- 4.3 Risk assessment:** the Council has not invested in Ubico to generate a financial return. The Council has invested to support service delivery. Ubico is a cost sharing company, any surplus generated within Ubico is returned to the partner Councils as shareholders. Similarly, any deficit as to be met by the Councils. Through regular budget monitoring and transparency around contract sums and performance and regulator communication, the risk of any financial loss is mitigated.
- 4.4 Liquidity:** The Council has invested purely to facilitate service provision rather than a financial return. The Council has no intention to dispose of its investment in the foreseeable future.
- 4.5 Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. COMMERCIAL INVESTMENTS: PROPERTY

- 5.1 Contribution:** The Council invests in a number of commercial properties within the Cotswold District and three significant assets outside of the district. The properties acquired outside of the District were acquired with the intention of generating income to support the revenue budget and were funded from the Council's capital receipts and therefore did not require the Council to undertake any borrowing.

Table 3: Property held for investment purposes in £

Property Type	01-Apr	31.3.2023 actual		31.3.2024 expected	
	2022	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
	Value in accounts				
Investment Property within Cotswold District	1,222,000	60,000	1,282,000	0	1,282,000
Investment Property inside of Cotswold District 27A Dyer Street	1,420,000	-65,000	1,355,000	0	1,355,000
Investment Property outside of Cotswold District: Superdrug, Worcester	720,000	-95,000	625,000	0	625,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,130,000	-45,000	1,085,000	0	1,085,000
Investment Property outside of Cotswold District: Wilkinsons, West Bromwich	1,455,000	-425,000	1,030,000	0	1,030,000
TOTAL	5,947,000	-570,000	5,377,000	0	5,377,000

- 5.2 Security:** A fair value assessment of the Council's investment property portfolio is undertaken each year as part of the final accounts process. Investment property is valued at market value. Property values fell during 2022/23 reflecting the valuer's assumption of the reductions in rental income expected in 2023/24 and potential void periods. The fair value of the Council's investment property portfolio is included in the Statement of Accounts; based upon 'market value'.
- 5.3** Table 3 shows fair value gains and losses in 2022/23 which are a direct result of the valuation undertaken as at 31st March 2023. The losses in respect of Wilkinsons, Great Bridge (near West Bromwich) will not be recognised unless the Council decides to dispose of the asset. The Council maintains sufficient liquidity so that there is no requirement to sell any of the investment properties. Over time, it is expected that the market value of investment properties will vary. Assets are considered sound with strong covenants and dependable income streams.
- 5.4** The proportion of the Council's Investment Property portfolio which is outside of the District, is held primarily to generate a stable income stream to support the revenue budget.
- 5.5 Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by purchasing property with secure tenants on long leases and through:
- assessment of relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
 - assessment of exposure to particular market segments to ensure adequate diversification
 - use of external advisors if considered appropriate by the S151 Officer
 - full and comprehensive report on any new investments to Cabinet/Council
 - continual monitoring of risk across the whole portfolio and specific assets
- 5.6 Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority sets out in its Treasury Management Strategy provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

6. LOAN COMMITMENTS AND FINANCIAL GUARANTEES



- 6.1** Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.
- 6.2** The Council is a shareholder of Ubico Ltd, owning one eighth of the company and is a joint partner in Publica Group (Support) Ltd, owning one quarter of the company. In both cases, should the company overspend, the Council be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.
- 6.3** The Council is contractually committed to provide a loan facility of £3.753m) to Cottsway 2 Ltd (a subsidiary of Cottsway Housing Association) to enable the provision of new dwellings incorporating low carbon technology at Davies Road, Moreton-in-Marsh. £1.855m of the facility is a short-term arrangement which will be repaid in full on receipt of grant funding from Homes England. The remainder of the £1.898m is a long term- term secured loan facility to be repaid within 50 years of the first drawdown date. To the extent that the loan facility is used, interest is payable to Cotswold District Council based on a rate of 3.25% per annum. During 2023/24, £2.155m has been drawdown to date and £1.247m repaid. Leaving a balance at 31/12/23 of £0.908m. The long term secured loan facility is expected to be drawn down during 2024/25.

7. PROPORTIONALITY

- 7.1** The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income or will be required to generate savings elsewhere within the budget to continue to provide its services. The Business Manager responsible for the Council's property and estates function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.
- 7.2** With the introduction of the revised PWLB lending terms, the Council has no intention of purchasing investment assets primarily for yield in the current and following two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in gross service expenditure.

*Table 4: Proportionality of Investments (£)*

	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget	2026/27 Budget
Treasury Investment income	1,082,363	1,542,365	1,222,700	783,500	500,000
Loans income	11,376	11,115	61,558	61,106	60,640
Share dividend	0	0	0	0	0
Investment Property income	475,939	431,277	370,027	377,428	384,976
Investment income	1,569,678	1,984,757	1,654,285	1,222,034	945,617
Gross service expenditure	26,725,057	27,562,988	26,399,830	26,449,990	27,679,914
Proportion	5.87%	7.20%	6.27%	4.62%	3.42%

8. BORROWING IN ADVANCE OF NEED

- 8.1** Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council will need to borrow in future years to fund new capital expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.
- 8.2** The Council may, in supporting the delivery of the Council's Capital Programme, borrow in advance of need where it is expected to demonstrate the best longer-term value for money position. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that the value for money can be demonstrated (i.e., the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds.
- 8.3** The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and potential interest rate changes. These risks will be managed as part of the Council's overall management of its treasury risks and will be reported through the standard reporting method.

9. CAPACITY, SKILLS AND CULTURE

Elected members and statutory officers:

- 9.1 The Council recognises that those elected Members and statutory officers involved in the investment decision process must have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
 - to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
 - to enable them to understand how new decisions have changed the overall risk exposure of the Council.
- 9.2 The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising Council on capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years' experience of working in local government finance. The Council pays for junior staff to study toward relevant professional qualifications, including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).
- 9.3 Where Council staff do not have the knowledge and skills required, external advisers and consultants are engaged that are specialists in their field. The Council employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extraordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite or while Council staff develop those skills.
- 9.4 The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.
- 9.5 The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:
- BSc Hons Real Estate Management
 - Associate Member Royal Institute Chartered Surveyors
 - Member Royal Institute Chartered Surveyors
 - Royal Institute Chartered Surveyors Registered Valuer
 - CIMA certificate in Business Accounting
 - Member Institute Welfare & Facilities management
 - Technical member for Institute for Occupational Safety and Health



- 9.6 Due to current vacancies within the Property Services team, external valuers are in the process of being appointed to undertake the Investment Property valuations required as part of the preparation of the 2023/24 Statement of Accounts.
- 9.7 The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:
- Fellows of the Chartered Institute of Legal Executives (CiLEX);
 - Paralegal;
 - Solicitors.
- 9.8 The Property and Legal Teams work together with the Finance team to support the Council's Chief Finance Officer and the Public Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.
- 9.9 The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.
- 9.10 **Commercial deals:** The Council's Chief Finance Officer, Deputy Chief Finance Officer and the Public Finance Director are all aware of the core principles of the Prudential Framework and of the regulatory regime within which local authorities operate.
- 9.11 Officers would work with a team of specialist officers to prepare business cases for any commercial deals for consideration by Members. It is the responsibility of the finance team to ensure that the implications of the Prudential Framework and the regulatory regime are considered as business cases are developed.
- 9.12 The Cabinet and Council also includes elected Members with a wealth of experience from business, banking and financial organisations. Members will use their knowledge, skills and experience to scrutinise business cases for proposed Council investments as set out below.

Corporate governance:

- 9.13 The Council will need to consider the best approach for the consideration and scrutiny of business cases for future investment to consider their contribution to the delivery of Council Priorities and impact upon the overall risk to the Council prior to recommendation for approval of expenditure by Cabinet or Council. The Cabinet will take decisions or make recommendations to the full Council on new investments that are not part of Treasury Management activity.
- 9.14 Financial performance is reported quarterly to the Council's Overview and Scrutiny Committee and to Cabinet. This includes the financial performance of the Treasury Management function and any other revenue generating investments.

- 9.15** The Audit Committee consider the draft Capital, Investment and Treasury Management Strategies and provides its views to the Cabinet for consideration. Cabinet recommends the suite of strategies to the Council for approval. Treasury Management performance is reported quarterly to the Council's Overview and Scrutiny Committee, Audit Committee and to full Council.
- 9.16** The Council's internal audit provider, South West Audit Partnership Ltd (SWAP) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP reports to the Council's Audit Committee.

10. INVESTMENT INDICATORS

- 10.1** The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 10.2 Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £

Total investment exposure	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Treasury management investments	27,971,544	22,899,000	18,595,000
Service investments: Loans	489,222	2,052,545	2,088,655
Service investments: Shares	1	1	1
Commercial investments: Property	5,377,000	5,377,000	5,849,189
TOTAL INVESTMENTS	33,837,767	30,328,546	26,532,845
Commitments to lend	1,855,000	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	35,692,767	30,328,546	26,532,845

- 10.3 How investments are funded:** Government guidance is that these indicators should include how investments are funded. No investments are currently funded by borrowing. All of the



Authority's investments are funded by usable reserves and income received in advance of expenditure.

- 10.4 Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investment rate of return (net of all costs)

Investments net rate of return	2022/23 Actual	2023/24	2024/25 Forecast
Treasury management investments	2.60%	5.06%	4.45%
Charities Loans*	2.23%	2.03%	0.00%
Housing Association Loans	0.00%	0.00%	3.25%
Local residents (equity loans)	0.00%	0.00%	0.00%
Employees (car loans)	2.00%	2.00%	0.00%
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property**	7.18%	6.76%	5.36%

**This represents an average return based upon loans ranging from 0% to 3.5%.*

***Commercial Property returns are calculated based upon returns compared to the current market valuation of the asset not the purchase price).*

There are a number of immaterial variances between the MTFs and detailed budget due to presentational differences. These will be resolved in the final version presented to Full Council on the 21st February 2024.

ANNEX G

SUMMARY REVENUE EXPENDITURE 2023/24 & 2024/25

By Service Area	2023/24 Budget		2024/25 Budget	
	£		£	
	Expenditure	Income	Expenditure	Income
Environmental Services	10,927,630	(6,097,586)	11,292,731	(6,777,544)
Leisure & Communities	1,941,973	(24,021)	2,222,312	(24,846)
Planning & Strategic Housing	2,908,345	(961,795)	2,718,671	(1,042,977)
Democratic Services	1,120,507	(25,905)	1,208,811	(3,880)
Corporate Services	2,820,830	(1,504,180)	2,611,278	(1,910,634)
Environmental & Regulatory Services (ERS)	1,113,820	(628,920)	1,168,743	(538,920)
Business Support Services - Finance, HR, Procurement	2,429,664	(1,293,912)	2,755,530	(1,335,727)
ICT, Change & Customer Services	2,436,053	(77,526)	2,517,275	(74,526)
Land, Legal & Property	1,751,668	(806,859)	1,818,956	(757,573)
Revenues & Housing Support	13,212,035	(12,597,116)	13,210,929	(12,254,718)
Publica CEX	131,136	0	140,206	0
Savings and Contingency	(368,287)	0	(490,560)	
Total Cost of Service	40,425,374	(24,017,821)	41,174,882	(24,721,346)
Total Cost of Service (Net)		16,407,553		16,453,536
Plus				
Capital charges reversals		(1,635,591)		(1,697,453)
Capital expenditure funded from revenue and MRP		216,607		11,607
Movement to/(from) Reserves		(625,102)		(770,690)
Net Budget Requirement		14,363,467		13,997,000

By subjective	2022/23 Budget	2023/24 Budget
	£	£
Employees	2,913,054	2,845,640
Premises-Related Expenditure	1,738,859	1,621,885
Transport-Related Expenditure	16,375	7,655
Supplies & Services	2,804,260	3,016,648
Housing Benefit Payments	11,965,426	11,485,426
Major Contract Payments	19,113,460	20,400,174
Revenue Grants	99,000	91,000
Depreciation, Interest and Impairment Losses	1,796,938	1,706,453
Total Cost	40,447,372	41,174,882
Income	(24,039,820)	(24,721,346)
Total Cost of Service	16,407,553	16,453,536
Plus		
Reversal of capital charges	(1,635,591)	(1,697,453)
Capital expenditure funded from revenue and MRP	216,607	11,607
Movement to/(from) Earmarked Reserves	(625,102)	(770,690)
Net Budget Requirement	14,363,467	13,997,000

SUMMARY REVENUE EXPENDITURE 2023/24 & 2024/25

	2023/24 Budget	2024/25 Budget
<u>Financing:</u>	<u>£</u>	<u>£</u>
NNDR net income	(3,998,000)	(4,500,490)
Revenue Support Grant	(134,648)	(143,567)
Rural Services Delivery Grant	(706,558)	(706,558)
Services Grant	(75,967)	(11,953)
New Homes Bonus	(290,188)	(287,485)
Funding Guarantee	(1,988,274)	(2,225,584)
Collection Fund Deficit/(Surplus) - Council Tax	2,000	(28,396)
GF Budget Surplus/(deficit) [transfer (from)/to GF]	(861,037)	503,846
	<u>6,310,795</u>	<u>6,596,813</u>
 Council Tax Base	 42,374.24	 42,855.93
 Band D Council Tax	 148.93	 153.93
	6,310,796	6,596,813

Budget Summary by Service Groups by Cost Centres

ENVIRONMENTAL SERVICES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
CCC001 Climate Change	119,264	0	136,990	0
CCM001 Cemetery, Crematorium and Churchyards	177,941	(136,830)	200,351	(145,830)
CCM402 Cemeteries - Maintenance	26,520	0	22,520	0
CPK401 Car Parks	994,206	(2,990,972)	1,000,327	(3,474,672)
CPK402 Car Parks - Maintenance	35,700	0	41,700	0
CPK413 Car Parks - Tetbury The Chippings	39,075	(54,000)	45,200	(62,000)
CPK414 Car Parks - Chipping Campden	0	0	0	0
CPK415 Bourton on the Water Tourism Levy	50,000	(50,000)	51,744	(50,000)
FLD401 Land Drainage	122,619	(22,660)	128,816	(23,453)
HLD410 Waste - Cleansing	(1)	0	(1)	0
HLD411 Waste - Cemeteries	0	0	0	0
REG003 Animal Control	49,287	(17,505)	25,847	(1,000)
REG019 Public Conveniences	282,397	(88,055)	288,822	(110,025)
REG023 Environmental Strategy	100,417	0	0	0
RYC001 Recycling	3,243,553	(949,783)	3,397,083	(949,783)
RYC002 Green Waste	1,359,603	(1,301,000)	1,466,603	(1,470,000)
RYC003 Food Waste	841,351	(156,000)	816,707	(156,000)
STC001 Street Cleaning	1,506,055	0	1,609,940	0
WST001 Household Waste	1,789,781	(23,780)	1,883,525	(25,780)
WST004 Bulky Household Waste	72,537	(78,537)	72,537	(78,537)
WST401 Refuse-Stow Fair	11,553	0	11,742	0
WST402 South Cerney Depot, Packers Lease	105,772	(228,466)	92,278	(230,466)
ENVIRONMENTAL SERVICES	10,927,630	(6,097,586)	11,292,731	(6,777,544)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	3		3	
Premises	728,500		716,568	
Transport	0		0	
Supplies & Services	397,788		313,144	
Major contract payments	9,296,250		9,758,209	
Transfer Payments	0		0	
Depreciation & Amortisation	505,089		504,807	
External Income		(6,097,586)		(6,777,544)
ENVIRONMENTAL SERVICES	10,927,630	(6,097,586)	11,292,731	(6,777,544)

LEISURE & COMMUNITIES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
CCR001 Community Safety (Crime Reduction)	25,203	0	26,790	0
COM401 Health Policy	28,426	0	30,179	0
COM402 Community Liaison	113,151	0	112,440	0
COM403 Youth Participation	128,646	0	92,075	0
COM404 Falls Prevention	0	0	0	0
COM405 Health Development	56,994	0	111,405	0
CUL410 Corinium Museum	284,621	0	349,997	(435)
CUL412 Collection Management	8,102	0	8,102	0
CUL413 Northleach Resouce Centre	19,953	0	19,908	0
GBD001 Community Welfare Grants	173,019	0	177,207	0
REC410 Ciren - Centre Management	561,975	0	787,815	0
REC413 Ciren - Dryside Areas	12,021	(24,021)	12,021	(24,411)
REC419 Cirencester Leisure - Maintenance	33,000	0	43,000	0
REC430 C Campden - Centre Management	114,231	0	128,583	0
REC450 Bourton - Centre Management	142,108	0	141,986	0
REC459 Bourton - Maintenance	43,000	0	43,000	0
SUP002 Consultation, Policy & Research	98,103	0	85,286	0
TOU001 Tourism Strategy and Promotion	16,376	(0)	17,518	(0)
TOU402 Partnership Grants	27,000	0	0	0
TOU403 Cotswold Tourism Partnership	56,044	0	35,000	0
LEISURE & COMMUNITIES	1,941,973	(24,021)	2,222,312	(24,846)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	1		1	
Premises	128,719		127,939	
Transport	0		0	
Supplies & Services	174,099		118,820	
Major contract payments	750,326		1,096,724	
Transfer Payments	95,000		85,000	
Depreciation & Amortisation	793,828		793,828	
External Income		(24,021)		(24,846)
LEISURE & COMMUNITIES	1,941,973	(24,021)	2,222,312	(24,846)

PLANNING & STRATEGIC HOUSING	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
CIL001 Community Infrastructure Levy	72,824	(40,000)	77,707	(40,000)
DEV001 Development Management - Applications	980,451	(894,877)	1,053,228	(1,001,877)
DEV002 Development Management - Appeals	94,119	0	97,493	0
DEV003 Development Management - Enforcement	209,750	(0)	224,242	(0)
DEV004 Development Advice	373,591	0	399,437	0
DEV401 Planning Advice For Land Charges	12,714	0	13,587	0
HAD001 Housing Advice	308,614	0	0	0
HOS001 Housing Strategy	166,843	0	119,725	0
HOS002 Housing Partnerships	27,506	0	29,400	0
HOS005 Community-Led Housing	0	0	0	0
PLP002 Local Development Framework	374,723	(100)	392,181	(100)
PLP005 Heritage & Design	246,394	(25,818)	268,459	0
PLP401 Fwd Plan work for Dev Con	18,606	0	19,889	0
PSM001 Planning - Service Management and Support S	22,209	(1,000)	23,322	(1,000)
PLANNING & STRATEGIC HOUSING	2,908,345	(961,795)	2,718,671	(1,042,977)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	0		0	
Premises	20,830		20,830	
Transport	0		0	
Supplies & Services	158,781		185,584	
Major contract payments	2,689,718		2,472,739	
Transfer Payments	4,000		6,000	
Depreciation & Amortisation	35,015		33,517	
External Income		(961,795)		(1,042,977)
PLANNING & STRATEGIC HOUSING	2,908,345	(961,795)	2,718,671	(1,042,977)

DEMOCRATIC SERVICES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
DRM001 Democratic Representation and Management	131,537	(0)	140,711	(0)
DRM003 Councillors Allowances	333,185	0	368,048	0
DRM004 Servicing Council	4,360	0	4,560	0
DRM005 Committee Services	124,185	0	140,621	0
DRM008 Corporate Subscriptions	21,980	0	26,670	0
ELE001 Registration of Electors	17,000	0	35,320	0
ELE002 District Elections	0	0	0	0
ELE003 Elections Support/Overheads	152,923	(1,880)	140,504	(1,880)
ELE004 Parliamentary Elections	0	0	0	0
ELE005 Parish Elections	5,000	(2,000)	5,000	(2,000)
SUP018 Press & PR/Communications	61,729	0	287,261	0
SUP022 Printing Services	223,571	(22,025)	31,979	0
SUP024 Postal Services	45,036	0	28,137	0
DEMOCRATIC SERVICES	1,120,507	(25,905)	1,208,811	(3,880)
<u>Subjective analysis:</u>				
Employees	14,120		18,014	
Premises	710		0	
Transport	3,820		3,820	
Supplies & Services	456,403		489,443	
Major contract payments	592,936		645,017	
Transfer Payments	0		0	
Depreciation & Amortisation	52,518		52,518	
External Income		(25,905)		(3,880)
DEMOCRATIC SERVICES	1,120,507	(25,905)	1,208,811	(3,880)

CORPORATE & RETAINED SERVICES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
COR005 Corporate Finance	115,123	0	139,350	0
COR007 External Audit Fees	96,368	0	136,941	0
COR008 Bank Charges	61,065	0	61,065	0
FIE010 Interest Payable and Similar Charges	99,485	0	9,000	0
FIE030 Interest and Investment Income	13,000	(830,316)	13,000	(1,346,405)
FIE410 Commercial Properties - General	15,468	(160)	15,466	(160)
FIE411 Old Memorial Hospital (inc Cottages)	17,887	(7,265)	14,611	(7,265)
FIE412 Cotswold Club	0	0	0	0
FIE413 Dyer Street	0	(120,000)	0	(120,000)
FIE415 Old Station	21,571	0	21,316	0
FIE416 Brewery Court, Arts & Niccol Centre	294	(56,142)	279	(56,142)
FIE417 GCC Depot, Chesterton Lane	1,053	(2,015)	996	(2,015)
FIE418 Abberley House/44 Black Jack St.	30,580	(87,339)	22,769	(87,339)
FIE419 Compton House	1,500	(14,626)	1,500	(14,626)
FIE423 1st Floor Church Rms, Bourton-on-the-Water	120	(4,570)	114	(4,570)
FIE424 Bourton VIC	1,567	(8,000)	1,567	(8,000)
FIE426 Wilkinson's West Bromich	6,006	(89,635)	5,945	0
FIE427 Superdrug Hereford	652	(62,155)	617	(62,155)
FIE428 Tesco's Seaford	1,098	(93,180)	1,039	(73,180)
FIE429 27 - 27a Dyer Street	21,421	(128,777)	21,344	(128,777)
NDC401 Discretionary Pension Payments	1,632,916	0	1,450,916	0
SUP032 Strategic Directors	661,417	0	693,442	0
COV019 Coronavirus	22,238	0	0	0
CORPORATE SERVICES	2,820,830	(1,504,180)	2,611,278	(1,910,634)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	2,032,666		1,864,616	
Premises	72,481		60,827	
Transport	0		0	
Supplies & Services	300,377		364,033	
Major contract payments	297,746		294,727	
Transfer Payments	0		0	
Depreciation & Amortisation & Int Payable	117,560		27,075	
External Income		(1,504,180)		(1,910,634)
CORPORATE SERVICES	2,820,830	(1,504,180)	2,611,278	(1,910,634)

ENVIRONMENTAL & REGULATORY SERVICES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
BUC001 Building Control - Fee Earning Work	189,206	(360,000)	201,726	(260,000)
BUC002 Building Control - Non Fee Earning Work	60,144	0	64,240	0
BUC003 Dangerous Structures	2,500	0	2,500	0
EMP001 Emergency Planning	24,904	0	20,915	0
ESM001 Environment - Service Mgt and Support	108,961	0	111,213	0
PSH002 Private Sector Housing - Condition of Dwell	191	0	191	0
PSH005 Home Energy Conservation	135	0	0	0
REG002 Licensing	231,751	(213,920)	245,345	(220,920)
REG006 Caravan Sites - Itinerates	0	0	0	0
REG007 Caravan Sites - Licensed	0	0	0	0
REG009 Environmental Protection	214,368	(53,000)	222,376	(55,000)
REG013 Pollution Control	142,043	0	150,768	0
REG016 Food Safety	137,944	(2,000)	146,796	(3,000)
REG021 Statutory Burials	1,591	0	2,591	0
STC011 Abandoned Vehicles	82	0	82	0
ENVIRONMENTAL & REGULATORY SERVICES	1,113,820	(628,920)	1,168,743	(538,920)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	0		0	
Premises	0		0	
Transport	1,000		0	
Supplies & Services	61,549		38,019	
Major contract payments	1,031,707		1,110,878	
Transfer Payments	0		0	
Depreciation & Amortisation	19,564		19,846	
External Income		(628,920)		(538,920)
ENVIRONMENTAL & REGULATORY SERVICES	1,113,820	(628,920)	1,168,743	(538,920)

BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
SUP003 Human Resources	618,281	(298,760)	657,497	(298,760)
SUP009 Accountancy	438,382	(39,120)	536,475	(39,120)
SUP010 Internal Audit	93,120	(22,217)	99,487	(23,262)
SUP011 Creditors	119,143	(63,580)	129,709	(68,797)
SUP012 Debtors	60,711	(15,480)	62,234	(15,480)
SUP013 Payroll	105,807	(63,750)	112,238	(63,750)
SUP019 Health & Safety	37,906	0	39,623	0
SUP020 Training & Development	141,210	(61,580)	149,708	(61,580)
SUP033 Central Purchasing	66,721	(23,803)	71,375	(23,803)
SUP035 Insurances	67,856	(53,690)	72,590	(53,690)
SUP042 ABW Support and Hosting	63,219	(50,360)	65,453	(50,694)
SUP403 Counter Fraud - CDC	104,124	(88,389)	122,348	(0)
SUP402 Glos. Counter Fraud Unit	513,182	(513,182)	636,791	(636,791)
BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.	2,429,663	(1,293,912)	2,755,530	(1,335,727)

	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	535,191		617,689	
Premises	0		0	
Transport	3,600		3,600	
Supplies & Services	307,989		300,791	
Major contract payments	1,572,349		1,822,915	
Transfer Payments	0		0	
Depreciation & Amortisation	10,534		10,534	
External Income		(1,293,912)		(1,335,727)
BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.	2,429,663	(1,293,912)	2,755,530	(1,335,727)

ICT, CHANGE & CUSTOMER SERVICES		Budget 23/24	Budget 24/25
	Gross Expenditure £	Gross Income £	
ADB411 Moreton-in-Marsh, Offices	95,605	(29,861)	81,978 (29,861)
COM420 FOH - Moreton	116,656	(3,665)	124,470 (3,665)
SUP005 ICT	1,318,774	(19,000)	1,401,734 (14,000)
SUP017 Business Improvement/Transformation	125,419	0	134,081 0
SUP021 Business Continuity Planning	22,277	0	23,674 0
SUP023 Freedom of Information Act	12,221	0	13,073 0
SUP031 Application Support	110,726	0	110,726 0
SUP401 FOH - Trinity Road	624,023	0	617,187 0
TMR001 Street Naming	10,352	(25,000)	10,352 (27,000)
ICT, CHANGE & CUSTOMER SERVICES	2,436,053	(77,526)	2,517,275 (74,526)
<u>Subjective analysis:</u>			
Employees	0		0
Premises	65,339		50,511
Transport	0		0
Supplies & Services	684,462		679,462
Major contract payments	1,658,763		1,759,813
Transfer Payments	0		0
Internal Recharges / Indirect Cost	0		0
Depreciation & Amortisation	27,489		27,489
External Income		(77,526)	(74,526)
ICT, CHANGE & CUSTOMER SERVICES	2,436,053	(77,526)	2,517,275 (74,526)

LAND, LEGAL & PROPERTY SERVICES	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
ADB401 Trinity Road, Offices	645,376	(368,692)	599,432	(333,505)
ADB412 Moreton-in-Marsh, Offices - Maintenance	34,907	0	34,907	0
CUL411 Corinium Museum - Maintenance	31,750	0	31,750	0
ENA401 Housing Enabling Properties	8,004	(22,481)	7,976	(22,541)
FIE425 22/24 Ashcroft Road	10,500	0	8,500	0
LLC001 Local Land Charges	124,530	(248,705)	128,143	(188,705)
SUP004 Legal	394,108	(166,982)	489,785	(212,823)
SUP025 Property Services	502,493	0	518,463	0
LAND, LEGAL & PROPERTY SERVICES	1,751,668	(806,859)	1,818,956	(757,573)

Subjective analysis:

Employees	284,877		344,817	
Premises	595,432		545,364	
Transport	7,955		235	
Supplies & Services	171,396		212,988	
Major contract payments	581,739		605,283	
Transfer Payments	0		0	
Internal Recharges / Indirect Cost	0		0	
Depreciation & Amortisation	110,269		110,269	
External Income		(806,859)		(757,573)

LAND, LEGAL & PROPERTY SERVICES	1,751,668	(806,859)	1,818,956	(757,573)
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REVENUES & HOUSING SUPPORT	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
HBP001 Rent Allowances	12,530,146	(12,105,831)	12,036,466	(11,624,966)
HOM001 Homelessness	115,634	(76,266)	585,239	(213,400)
HOM004	19,129	(19,129)	20,463	(20,463)
HOM005 Homelessness Hostels	29,062	(35,500)	29,949	(35,500)
HOM406 Temporary Emergency Accommodation	107,584	(62,856)	107,170	(62,856)
LTC001 Council Tax Collection	295,021	(89,000)	309,675	(89,000)
LTC011 NNDR Collection	66,836	(208,533)	70,231	(208,533)
PSH001 Private Sector Housing Grants	31,855	0	34,077	0
PUT001 Concessionary Travel	16,767	0	17,659	0
REVENUES & HOUSING SUPPORT	13,212,034	(12,597,115)	13,210,929	(12,254,718)

Subjective analysis:

Employees	0		500	
Premises	59,075		59,548	
Transport	0		0	
Supplies & Services	182,858		314,243	
Major contract payments	880,593		1,225,632	
Transfer Payments	11,965,426		11,485,426	
Depreciation & Amortisation	124,082		125,580	
External Income		(12,597,115)		(12,254,718)

REVENUES & HOUSING SUPPORT	13,212,034	(12,597,115)	13,210,929	(12,254,718)
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PUBLICA CEX	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
SUP026 Chief Executive	131,136	0	140,206	0
PUBLICA CEX	131,136	0	140,206	0

Subjective analysis:

Employees	(0)		(0)	
Premises	0		0	
Transport	0		0	
Supplies & Services	120		120	
Third Party Payments	130,027		139,097	
Transfer Payments	0		0	
Depreciation & Amortisation	989		989	
External Income		0		0
PUBLICA CEX	131,136	0	140,206	0

OTHER	Budget 23/24		Budget 24/25	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
	(368,287)		(490,560)	
Savings and Contingency				
Capital charges reversals		(1,635,591)		(1,697,453)
Capital expenditure funded from revenue	216,607		11,607	
Movement to/(from) Reserves		(625,102)		(770,690)
	40,641,979	26,278,513	41,186,489	(27,189,489)
Net Budget Requirement	14,363,467		13,997,000	

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ANNEX H STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS



COTSWOLD
DISTRICT COUNCIL

The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under Section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

Projects included in the strategy support the Council's Cabinet Transform Working Group and progress will be monitored regularly as part of the quarterly Financial, Council Priority and Service Performance reporting.

The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

Only receipts from the disposal of capital assets received between April 2022 and March 2025 are eligible for use to fund qualifying costs of service reform. A balance of £8.821m is held within Capital Receipts Reserve at 31 March 2023. Capital Receipts of £0.370m have been received to date during the qualifying period and this is allocated for Flexible Use of Capital Receipts.

As part of the Local Government Settlement, the Communities Secretary for Ministry of Housing, Communities and Local Government announced in February 2021 that there would be a continuation of the capital receipts flexibility programme for a further three years, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. This was formally confirmed on 04 April 2022. Should future projects be identified alongside suitable asset sales, this will be presented in a revised strategy.

Service reform projects can still be financed in whole or in part from other sources e.g., the Council Priorities Fund. The Council is not obliged to fund these projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.

Question 1: Do you agree with the government's proposed methodology for the distribution of the Revenue Support Grant in 2024-25?

The RSG formula is outdated and no longer fit for purpose, hence the long-awaited Fair Funding Review. Increasing RSG levels in line with September CPI is a fair approach in the circumstances.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

No, by doing this there is the real risk that the reasons for those specific grants are lost together with the funding for those purposes when RSG is reviewed.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2024-25?

Cotswold District Council strongly believes that referendum limits for shire districts have lagged other areas over several years. Costs of providing, and the demand for essential front-line services provided by district councils have risen significantly more than the 3% or £5 currently proposed, for example the annual pay award for most district and borough councils for 2024/25 is likely to significantly exceed the additional council tax raised.

It is worth highlighting the difference in council tax referendum principles for Shire Districts and Police and Crime Commissioners. Over the period 2018/19 to 2024/25 the flexibility afforded to Police and Crime Commissioners has been a cumulative £99. Over the same period, the cumulative flexibility for Shire Districts has been £35. If the same flexibility had applied to Shire Districts, this could have contributed £3m annually to the authority's finances by 2024/25.

Whilst we appreciate the need for ministers to consider the inflationary impact of Council Tax rises one year from the next, the consistent de-prioritisation of Shire Districts only exacerbates the financial challenge in the sector. In addition, Councils who have kept their Council Tax Band D rates low in previous years are in effect penalised with lower flexibility than Councils who have steadily increased their Band D rates.

Given that the District Council Precept forms such a small portion of overall council tax bills, and the £5 increase was introduced to assist those councils with the lowest council tax bills, we would urge the Government to consider increasing the alternative limit to £10 from £5.

Question 4: Do you agree with the Government's proposals to maintain the Funding Guarantee for 2024-25?

Yes, although it could be higher for the same reasons as question 3. One essential front-line service that is continuing to face significant pressure is around housing, especially the need for temporary accommodation where there is limited supply and severe competition for any available premises.

District councils provide a very wide range of services including some have a major impact on the health and wellbeing of residents, if these discretionary services are reduced due to lack of funding, it will result in further costs further down the line for the social care and health services.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

Whilst as a District Council we cannot comment directly on social care funding, we would wish to highlight the vital work that is undertaken to support vulnerable communities and addressing health inequalities, provision of leisure, addressing issues through health and wellbeing strategies and the role of appropriate housing in avoiding health issues and the need for care. We would strongly resist any focus on social care funding at the expense of wider local government and the vital early intervention work that prevents later expenditure.

District councils such as Cotswold are seeing significant increases in housing need both because of affordability and market imperfections in the housing market and the impact of immigration and asylum schemes. Failure to adequately fund housing provision now will increase future costs in both health and social care.

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2024-25?

The proposed approach is as expected, and reductions have been offset by increases to the Funding Guarantee. This has meant that there is no net reward for councils who have managed to achieve housing growth.

The extension of the existing New Homes Bonus scheme and reward payment for a further year is welcomed, although recognising the additional funding instability that removal of the taper brings. We would welcome early announcement of the Government's intention for 2025/26.

ANNEX H STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS



**COTSWOLD
DISTRICT COUNCIL**

We would remind the Government of the reduced value of New Homes Bonus to Council such as Cotswold over the last 5 years from a peak funding position of £3.2m to just under £0.3m.

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

We welcome the stability in funding this brings for rural authorities although additional funding is required in this area to reflect the extra costs faced by councils such as Cotswold who are impacted. Rural councils have had to increase council tax to balance the books and rural residents will now pay 20% (£112.57) more in council tax per head than urban residents.

Question 8: Do you agree with the government's proposals for Services Grant in 2024-25?

This has reduced to a very low level and is offset by increases in the Funding Guarantee. The statutory service pressures are not reducing therefore the small increase in core spending power fails to recognise the significant housing pressures such as temporary accommodation impacting particularly on districts and boroughs.

Question 9: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No.

Question 10: Do you have any views about the government using levers in future local government finance settlements (those occurring after 2024-25) to disincentivise the so-called '4 day working week' and equivalent arrangements of part time work for full time pay?

Fundamentally questions regarding the appropriate compensation of employees and the level of service provided by local councils should be made locally. Cotswold District Council is concerned with the level of overreach a policy of this nature represents and the increasing willingness of central government to unnecessarily meddle in local government administration. This is particularly relevant when proposals impact the stability and predictability of available funding and further reduce the ability of councils to identify innovative solutions to recruitment and retention challenges.

David Stanley

ANNEX H STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

Deputy Chief Executive and Section 151 Officer
Cotswold District Council



COTSWOLD
DISTRICT COUNCIL

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