



Supplement for

OVERVIEW AND SCRUTINY COMMITTEE - MONDAY, 2 FEBRUARY 2026

12. **Budget 2026-27 and Medium Term Financial Strategy** 3 - 152

Purpose

To present the Revenue Budget for 2026/27, Capital Programme and Medium-Term Financial Strategy for 2026/27 to 2029/30.

Cabinet Member

Councillor Patrick Coleman, Cabinet Member for Finance

Lead Officer

David Stanley, Deputy Chief Executive Officer and S151

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Agenda Item 12



COTSWOLD
District Council

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 05 FEBRUARY 2026
Subject	2026/27 REVENUE BUDGET, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY
Wards affected	All
Accountable member	Patrick Coleman, Cabinet Member for Finance Email: patrick.coleman@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	To present the Revenue Budget for 2026/27, Capital Programme and Medium-Term Financial Strategy for 2026/27 to 2029/30
Annexes	<p>Annex A – NOT INCLUDED (Section 25 Statement)</p> <p>Annex B – Medium Term Financial Strategy 2026/27 to 2029/30</p> <p>Annex C – Budget Pressures and Savings</p> <p>Annex D – Capital Programme 2026/27 to 2029/30</p> <p>Annex E – DRAFT Annual Capital Strategy 2026/27</p> <p>Annex F – DRAFT Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2026/27</p> <p>Annex G – NOT INCLUDED (Detailed Revenue Budgets 2026/27)</p> <p>Annex H – Strategy for the Flexible Use of Capital Receipts</p> <p>Annex I – Budget Consultation Responses</p>
Recommendation(s)	<p>Cabinet is requested to consider and approve for recommendation to Council:</p> <ol style="list-style-type: none"> 1. the Medium-Term Financial Strategy set out in Annex B 2. the Budget Pressures and Savings for inclusion in the budget,



	<p>set out in Annex C</p> <p>3. the Council Tax Requirement of £7,419,716 for this Council</p> <p>4. the Council Tax level for Cotswold District Council purposes of £163.93 for a Band D property in 2026/27 (an increase of £5)</p> <p>5. the Capital Programme, set out in Annex D</p> <p>6. the Annual Capital Strategy 2026/27, as set out in Annex E</p> <p>7. the Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2026/27, 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. that £2m is set aside in a new earmarked reserve Council Priority: LGR Transition through the releasing of £2m of the balance currently held in the Financial Resilience Reserve.</p> <p>10. the balances and reserves forecast for 2026/27 to 2029/30 as set out in Section 7 of the report.</p> <p>Cabinet is recommended to approve delegation to the Council's Deputy Chief Executive, in consultation with the Chief Executive, Leader, and Cabinet Member for Finance</p> <p>11. To agree changes to the General Fund Summary arising from the Final Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.</p>
Corporate priorities	<ul style="list-style-type: none">• Preparing for the future• Delivering good services• Responding to the climate emergency• Delivering housing• Supporting communities• Supporting the economy
Key Decision	YES
Exempt	NO



Consultees/ Consultation	The 2026/27 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.
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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, February 2024, and February 2025 MTFS forecasts. The indicative position outlined for 2026/27 through to 2029/30 was an unfunded budget gap of £20.405m (£12.750, 2026/27 to 2028/29), as reported to Council in February 2025.

1.3 Several local authorities have indicated they are facing significant financial difficulties and are likely to request support from the Government through the Exceptional Financial Support (EFS) scheme. It is likely the number of Councils requesting EFS for 2026/27 will be significantly higher.

1.4 The Government consulted on significant changes to Local Government Finance over the summer (Fair Funding 2.0). Following analysis of the consultation feedback, the Government published their Policy Statement alongside a summary of the responses in November 2025. This included a commitment to a multi-year settlement period.

1.5 The publication of the provisional financial settlement on 17 December 2025 has provided much more certainty to councils, given the 3-year settlement period covered.

1.6 There is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or having to consider issuing a section 114 notice.

1.7 Members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability. For the purposes of this report in assessing the risk of the Council applying for EFS it is assumed that either

- the budget gap will be closed sufficiently.
- subject to a reprioritisation of earmarked reserves, the quantum of earmarked reserve balances forecast over the MTFS-period are adequate. Any application for EFS would consider whether the council could utilise



earmarked reserves or generate capital receipts through an asset disposal programme. Therefore, any application for EFS would be unlikely to be successful given the council's current and forecast level of earmarked reserves.

1.8 The provisional settlement for 2026/27 was published on 17 December 2025. As indicated in the policy statement, the settlement incorporated reforms arising from the Fair Funding 2.0 consultation with significant changes to the way local authorities are funded. The provisional settlement provided details of funding for the financial years 2026/27 through to 2028/29.

- The provisional settlement included the following, as summarised by Pixel in their note to local authorities following the publication of the settlement:
- The provisional settlement provided allocations for a 3-year period covering financial years 2026/27 through to 2028/29. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement representing a minimum level of funding.
- Reset of the Business Rates Retention system, major changes to all the Relative Needs Formulas (RNFs) and the simplification of many specific grants that have either been rolled in to the Settlement Funding Assessment (SFA) or into one of four consolidated grants.
- Funding floors have been introduced as part of the transition from the previous funding calculations (referred to as legacy system) and the new basis. By the end of the 3-year funding period Councils will have been fully moved to the new basis.
- For Cotswold District Council, a funding floor of 95% applies – in effect ensuring the Council's funding is no more than 5% lower than the 2025/26 equivalent allocation.
- **Council tax:** The settlement assumes that council tax will rise with the maximum uplift in Band D, and that the taxbase will grow in line with the 4-year increase in taxbase. Maximum increases are 4.99% for upper-tier authorities, the higher of 2.99% or £5 for shire district councils, and £5 for fire authorities. Taxbase growth is based on the change between the 2021-22 and 2025-26 CTR1s.



- **Settlement Funding Assessment (SFA):** SFA increases from £16.8bn in 2025-26, to £34.8bn in 2026-27 and then £35.3bn in 2028-29. SFA now includes £13.2bn in rolled-in grants from within the current CSP settlement, plus other rolled-in grants, and the rolled-in amounts from the Business Rates Retention System (BRRS). In addition, there is growth in SFA from SR26.
- **Rolled-in grants:** Grants worth £13.2bn from the current CSP roll into SFA, as above. In addition, there are further grants from outside the current settlement that are rolling into SFA. These are lower in value (£543m) and include the Temporary Accommodation element of Homelessness Prevention Grant (HPG), and various other smaller grants. Some of these grants have not been paid out before and so you might find that they are not currently in your budget.
- **Business Rates Retention System (BRRS):** Business rates income worth £18.770bn is rolled into SFA in 2026-27. The calculator with these amounts was released as part of the Policy Statement. BRRS income includes BFL (which is funded from retained rates), all cap compensation payments (including indexation of the baseline and above-baseline amounts), pooling and pilot gains, and retained business rates income above-baseline.
- **Recovery Grant:** 2025-26 allocations will continue unchanged over the next 3 years. There is no allocation for Cotswold District Council.
- **Consolidated Grants:** Four new consolidated grant streams have been created to simplify funding from a range of different sources. Some grants from within the current CSP will be included (Domestic Abuse Safe Accommodation Grant, Children's Social Care Prevention Grant). Other grants are being brought together from outside the current settlement. Overwhelmingly, the largest grant is the Public Health grant. By bringing together these grants into consolidated streams within the settlement, authorities will have to think about how to present these grants in their budget-setting process. Many of the grants will currently be treated as service grants rather than corporate resources.
- **2029/30 Cliff Edge:** Large funding floor payments will leave a large number of authorities substantially above their funding target in 2028-29. It is not clear how this funding "cliff edge" will be handled going into the next multi-



year settlement. It creates ongoing uncertainty and means the objective of getting every authority to their funding target over 3 years may not be achieved.

1.9 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 the table below.

Table ES1 – Funding assumed in the MTFS, Core Spending Power

Funding included in the MTFS	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Council Tax	(7,420)	(7,722)	(8,031)	(8,344)
Business Rates Retention - Baseline Funding Level (BFL)	(1,372)	(1,401)	(1,427)	(1,453)
Business Rates Retention - Above BFL	0	0	0	0
Revenue Support Grant	(6,317)	(3,906)	(1,436)	(1,469)
Transitional Protection @ 95%	(1,058)	(3,099)	(5,190)	0
EPR	(1,721)	(1,033)	(1,033)	(1,033)
Collection Fund - Council Tax (Surplus) / Deficit	(172)	0	0	0
Collection Fund - Business Rates (Surplus) / Deficit	1,097	0	0	0
TOTAL Funding	(16,964)	(17,161)	(17,116)	(12,299)

Illustrative Core Spending Power of Local Government	2024-25 (£'000)	2025-26 (£'000)	2026-27 (£'000)	2027-28 (£'000)	2028-29 (£'000)
Council tax requirement	6,597	7,065	7,399	7,740	8,094
Business Rates Retention - Baseline Funding Level (BFL)	5,720	6,242	1,255	1,283	1,309
Legacy Grant Funding / Revenue Support Grant	3,547	3,347	6,317	3,906	1,436
Transitional Protection - 95% income protection			1,058	3,099	5,190
Homelessness, Rough Sleeping and Domestic Abuse	188	218	403	464	511
Grants rolled in to Revenue Support Grant	185	218	0	0	0
Core Spending Power	16,237	17,090	16,432	16,494	16,540

1.10 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.

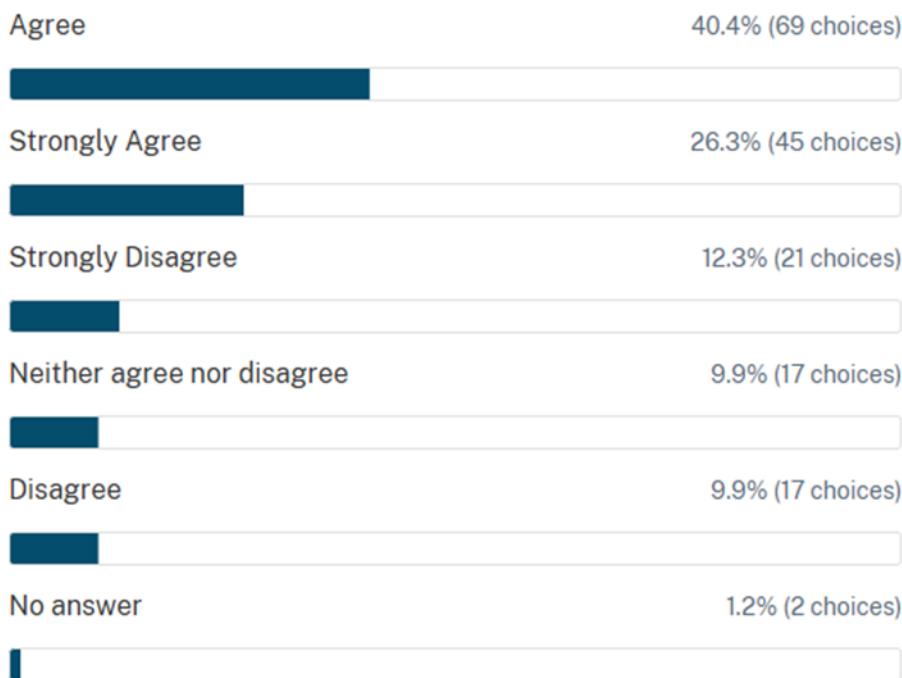
1.11 A £5 increase in Council Tax formed part of the Budget Consultation undertaken in December 2025 through to January 2026. The results of the consultation exercise



indicated strong support from respondents to a £5 increase in the Band D Council Tax rate. Question 1 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?

1.12 The response to this question was supportive. 66.7% agreed or strongly agreed with the proposed Council Tax increase. 22.2% disagreed or strongly disagreed whilst 11.1% neither agreed nor disagreed or provided no answer.



1.13 A Council Tax rise of £5 increases the Band D rate from £158.93 to £163.93 and will generate an additional £0.354m in additional Council Tax revenue annually (when taken with estimated changes to the taxbase and additional premiums). The MTFS assumes an increase of up to £5 per annum. This would generate £1.279m over the MTFS period including 2026/27 (£0.924m 2027/28 to 2029/30).



Balanced Budget Requirement

1.14 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 2026/27 with a transfer of funding from the Financial Resilience reserve to mitigate the forecast deficit of £0.416m. There remains a projected budget gap of £0.902m in 2027/28, and this is forecast to increase to £1.866m in 2028/29 and £7.201m by 2029/30. **This is not the final position and will be updated ahead of the Council meeting on 23 February 2026 as the final reconciliation of Public Contract sum changes, estimate of business rates income and changes that may come through in the final settlement are included.** The table below presents an unmitigated position and assumes that there are no cost reductions or savings measures identified.

Table ES2 – Summary Medium Term Financial Forecast

Medium Term Financial Strategy	MTFS Period			
	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Opening Budget				
Service	17,359	17,359	17,359	17,359
Corporate	1,266	(212)	187	187
Net Revenue Budget	18,625	17,146	17,545	17,545
Budget Changes & Adjustments				
Provision for Inflation	707	1,418	2,139	2,876
Budget Pressures	1,357	1,878	1,778	1,778
Other budget pressures	0	0	0	0
Savings	(1,978)	(2,181)	(2,350)	(2,568)
REVISED Net Revenue Budget	18,712	18,262	19,114	19,631
Less: Transfers from Earmarked Reserves	(1,264)	(315)	(248)	(248)
Subtotal	17,448	17,946	18,865	19,383
Funded by:				
Council Tax	(7,420)	(7,722)	(8,031)	(8,344)
Business Rates	(1,255)	(1,283)	(1,309)	(1,335)
Revenue Support Grant	(6,317)	(3,906)	(1,436)	(1,469)
Transitional Protection @ 95%	(1,058)	(3,099)	(5,190)	0
EPR	(1,721)	(1,033)	(1,033)	(1,033)
Collection Fund	740	0	0	0
TOTAL Funding	(17,032)	(17,044)	(16,999)	(12,182)
Budget shortfall/(surplus)	416	902	1,866	7,201



1.15 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The updated Council Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.

1.16 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.

1.17 As part of the early work in addressing the budget gap identified in the February 2025 MTFS, Cabinet agreed the following in the [Financial Performance Report 2025-26 Quarter 1](#) at their meeting on 4 September 2025:

- The revenue budget is likely to come under further pressure in 2026/27 and 2027/28 as the Council considers the impact from LGR and ensures services continue to be provided to residents as usual. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government's decision.
- It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end, subject to the final outturn position:
 - Transformation and Change
 - Capacity Building
- **Vacancy Management** - oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases



Budget Pressures, Inflation and Risk

1.18 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 – Inflation and Budget Pressures

Item & Summary	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Provision for Inflation & Contract Growth				
Contract Inflation (Publica, Ubico)	507	1,008	1,514	2,028
CDC Service (Pay Inflation)	200	410	625	848
Subtotal	707	1,418	2,139	2,876
Budget Pressures				
Unavoidable Growth	0	750	750	750
Expenditure Pressures	594	564	564	564
Income Pressures	0	0	0	0
Legislative Change & Technical Adjustments	0	0	0	0
Risk Items	0	0	0	0
Subtotal	594	1,314	1,314	1,314
TOTAL Inflation, Growth, & Pressures	1,302	2,732	3,454	4,190

Savings, Income and Cost reductions

1.19 To ensure the Council is able to set a balanced budget for the forthcoming financial year, savings have been included where proposals are robust and can be delivered. The table below provides a summary of the savings included in the MTFS

Table ES3 – Savings

Savings	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Third Party Contract Savings	0	0	0	0
Corporate Savings	(500)	(500)	(500)	(500)
Expenditure Savings	(1,176)	(1,195)	(1,154)	(1,163)
Corporate Income	0	0	0	0
Fees and Charges	(302)	(486)	(696)	(906)
Savings Targets	0	0	0	0
Subtotal	(1,978)	(2,181)	(2,350)	(2,568)



Balances and Reserves

1.20 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).

1.21 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.

1.22 The review of reserves and balances maintains the distinction between the General Fund Balance and Earmarked Reserves.

1.23 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

1.24 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.

1.25 However, these reserves should not be utilised to fund normal, ongoing service provision. It is important to review the level of reserves regularly.

1.26 A review of the revenue reserves was undertaken as part of the 2026/27 budget setting to support the Council's priorities as indicated below:

- Preparing for the future
- Delivering good services
- Responding to the climate emergency
- Delivering housing
- Supporting communities
- Supporting the economy

1.27 It is recommended that the following reserves are maintained to support delivery of the Council Plan, support Local Government Reorganisation, and the ongoing preparation of the Council's Local Plan:

- **Council Priority: LGR Transition** – as set out in Section 5 of this report, allocate £2m from the Financial Resilience reserve to the new LGR Transition reserve.
- **Council Priority: Capacity Building** – as set out in the Q1 Financial Performance Report considered by Cabinet in September 2025, this reserve has been established to provide additional one-off funding for staffing resources that support the council in ensuring services continue to be provided to residents as usual. It is recommended that a balance of £1m is maintained.
- **Council Priority: Local Plan** reserve – a further £0.130m is transferred from the Regeneration/Infrastructure reserve and allocated to the to ensure the Local Plan preparation can be completed by December 2026.
- **Council Priority: Climate Emergency** reserve is maintained at £0.100m



- **Council Priority: Housing Delivery** reserve is maintained at £0.548m and is utilised to finance the Joint Venture with Bromford at Down Ampney providing 14 affordable homes.
- **Council Priority: Regeneration/Infrastructure** reserve is closed with the balance of £0.130m allocated to the Local Plan reserve.
- **Council Priority: Transformation and Change** reserve is maintained at £0.400m to provide funding for savings and transformation support, projects and invest to save initiatives.
- **Council Priority: Capital Financing** – it is recommended that a new reserve is established with transfers to the reserve from specific service areas to provide funding for related capital expenditure.
- **Risk Mitigation** reserves are maintained at a level as advised by the Council's Section 151 Officer to mitigate specific risks such as Planning Appeal costs, Treasury Management risk, Business Rates Risk.

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

1.29 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.

1.30 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.



Table ES4 – Reserves and Balances Forecast

	Closing Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£)	Estimated Balance 31/03/2027 (£)	Estimated Balance 31/03/2028 (£)	Estimated Balance 31/03/2029 (£)	Estimated Balance 31/03/2030 (£)
Earmarked Reserve Balances						
General Fund Balance	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities						
Council Priority: Transformation and Change	(580)	(400)	(200)	0	0	0
Council Priority: Publica Review	(108)	0	0	0	0	0
Council Priority: Climate Emergency	(233)	(100)	0	0	0	0
Council Priority: Housing Delivery	(500)	(548)	(398)	0	0	0
Council Priority: Local Plan	(1,005)	(799)	(299)	0	0	0
Council Priority: Regeneration/Infrastructure	(200)	0	0	0	0	0
Council Priority: LGR Transition	0	0	(2,000)	0	0	0
Council Priority: Capacity Building	0	(1,009)	(509)	0	0	0
Council Priority: Capital Financing	0	0	0	0	0	0
Subtotal Council Priorities	(2,625)	(2,856)	(3,406)	0	0	0
Risk Mitigation						
Financial Resilience Reserve	(2,943)	(4,257)	(2,257)	(257)	(257)	(257)
Other Risk Mitigation Reserves	(2,957)	(3,982)	(1,911)	(2,436)	(1,715)	(1,715)
Subtotal Risk Mitigation	(5,899)	(8,239)	(4,168)	(2,693)	(1,972)	(1,972)
Revenue Grants Unapplied	(2,229)	(1,132)	(955)	(955)	(955)	(955)
Ringfenced Earmarked Reserves	(57)	(52)	(52)	(52)	(52)	(52)
Other Revenue reserves	(214)	(169)	(169)	(169)	(169)	(169)
TOTAL Earmarked Reserves	(11,025)	(12,448)	(8,750)	(3,869)	(3,148)	(3,148)
TOTAL Earmarked Reserves and Balances	(12,785)	(14,208)	(10,510)	(5,629)	(4,908)	(4,908)

Capital Programme 2025/26 to 2028/29

1.31 The Council's Capital Strategy and Capital Programme are considered over a four-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.

1.32 The Council has set out its Capital Programme for the period 2026/27 to 2029/30 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 £9.538m in 2026/27 is proposed. Total expenditure over the



programme period is estimated at £18.5m (£21.6m when including the current financial year)

Table ES5a – Summary Capital Programme

Capital Programme	REV						2026/27 to 2029/30 TOTAL Budget (£'000)
	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)		
Leisure & Communities	64	600	0	0	550	1,150	
Housing Delivery	1,845	1,839	2,231	1,775	1,819	7,664	
Environmental Services	651	6,349	1,676	205	224	8,454	
Climate Emergency	0	0	0	0	0	0	
ICT, Change and Customer Services	150	350	150	150	150	800	
UK Rural Prosperity Fund	0	0	0	0	0	0	
UK Shared Prosperity Fund Projects	327	0	0	0	0	0	
Assets & Property	272	400	0	0	0	400	
Corporate Investment	0	0	0	0	0	0	
	3,309	9,538	4,057	2,130	2,743	18,468	

1.33 The capital programme includes investment in the waste and recycling service. This incorporates the purchase of up to 31 new collection vehicles, including the fleet's first electric vehicle to test EV performance and suitability across the district. The programme also proposes the purchase of a fuel bunker at the Ubico Environmental Services Cotswold Depot and the purchase of a fuel bunker at the Ubico environmental services Cotswold Depot, enabling the adoption of Hydro-treated Vegetable Oil (HVO) – a low carbon, sustainable fuel derived from used cooking oil and industrial by-products. This investment supports both service resilience and the Council's 'responding to the climate and ecological emergency' priority.

1.34 Until the current financial year, the capital programme has been predominantly financed through capital receipts. **Although these are forecast to deplete over the capital programme period the Council is no longer proposing to use additional prudential borrowing to fund the programme.** Instead, schemes will be supported through revenue contributions to capital outlay (RCCO) and existing earmarked



reserves, thereby avoiding associated interest and MRP costs. Other sources of finance supporting the capital programme, either from external sources (government grants and other contributions), the Council's own resources (capital receipts).

1.35 The removal of previously proposed prudential borrowing reflects both the level of financing available within the revenue base and current forecasts for capital receipts and grant funding. If additional resources become available during the capital programme period, projects aligned with the Council's strategic capital objectives will be brought forward for approval. Given current borrowing costs, any new business case will need to demonstrably robust, include sufficient financial headroom, and be subject to additional challenge from officers prior to consideration by members.

Table ES5b – Summary Capital Financing Statement

Capital Financing Statement	REV					2026/27 to 2029/30
	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Capital receipts	1,207	4,308	1,516	355	924	7,103
Capital Grants and Contributions	2,102	1,689	1,731	1,775	1,819	7,014
Earmarked Reserves	0	1,829	810	0	0	2,639
Revenue Contribution to Capital Outlay (RCO)	0	1,712	0	0	0	1,712
Community Municipal Investments (CMI)	0	0	0	0	0	0
Prudential Borrowing	0	0	0	0	0	0
	3,309	9,538	4,057	2,130	2,743	18,468

Conclusions

1.36 Despite the uncertainties earlier in 2025 around Local Government Funding Reforms, the outcome from the provisional local government finance settlement and the approach the Council has taken during 2025/26 to mitigate future financial risk, 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.



1.37 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.

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

1.39 The Capital Programme includes planned expenditure £9.538m in 2026/27 which includes provision of £6.0m for the acquisition of new Waste Vehicles.

1.40 Until the current financial year, the capital programme has been predominantly financed through capital receipts. Although these are forecast to deplete over the capital programme period **the Council is no longer proposing to use additional prudential borrowing to fund the programme**. Instead, schemes will be supported through revenue contributions (RCCO) and existing earmarked reserves, thereby avoiding associated interest and MRP costs. Other sources of finance supporting the capital programme, either from external sources (government grants and other contributions), the Council's own resources (capital receipts).

1.41 The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £158.93 per annum to £163.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.

1.42 The Council is required to balance the budget one year from the next and must deliver an ongoing savings and transformation programme – a robust, balanced, and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.

1.43 Reserves continue to be held in support of the Council's priorities and to mitigate against the substantial increased risk the Council is facing. And are considered adequate for the forthcoming financial year given the current risks and uncertainties



identified in this report. All reserves will be monitored and reported to Cabinet throughout 2026/27.

2. BACKGROUND

2.1 A significant budget gap was identified in the February 2023, February 2024, and February 2025 MTFS forecasts. The indicative position outlined for 2026/27 through to 2029/30 was an unfunded budget gap of £20.405m (£12.750, 2026/27 to 2028/29), as reported to Council in February 2025.

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 is exposed to external budget pressures over the medium-term. There remains uncertainty around inflation in the current financial year which have an influence over the Council's budget for 2026/27 and the MTFS period both directly and indirectly. Interest rates have been reduced during 2025/26 with some uncertainty as to the timing of future interest rate changes.

2.4 Several local authorities have indicated they are facing significant financial difficulties and are likely to request support from the Government through the Exceptional Financial Support (EFS) scheme. It is likely the number of Councils requesting EFS for 2026/27 will be significantly higher.

2.5 Analysis and commentary from the Local Government Association ahead of the November 2025 budget highlighted the concern from the sector of EFS:



"The financial implications of the sector's financial pressures are clearly demonstrated by the fact that 29 councils required Exceptional Financial Support (EFS) in 2025/26 to set a balanced general fund budget. Almost all these councils (26) had social care responsibilities. This meant that the sector entered 2025/26 with 1 in 6 social care councils (17 per cent) dependent on a significant one-off relaxation of the financial framework – an agreement that revenue spend could be capitalised and/or council tax rates can be set above the referendum threshold – to set a balanced budget."

"The 29 councils with EFS in 2025/26 represent a significant increase on the number (18) in 2024/25. Overall, since its introduction in 2020/21, 42 local authorities have accessed over £5.0 billion through EFS, with many councils using the scheme over multiple years. Arguably this arrangement is no longer exceptional. Instead, the use of borrowing or the application of capital receipts have become normalised as a means for funding councils' day-to-day spend on vital services such as children's social care. This is clearly not a sustainable financial model."

<https://www.local.gov.uk/parliament/briefings-and-responses/autumn-budget-2025-1ga-submission#fixing-the-sectors-financial-foundations>

The publication of the provisional financial settlement on 17 December 2025 has provided much more certainty to councils given the 3-year settlement period covered.

2.6 There is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or consider issuing a section 114 notice.

2.7 Members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability. For the purposes of this report in assessing the risk of the Council applying for EFS it is assumed that either

- the budget gap will be closed sufficiently.
- subject to a reprioritisation of earmarked reserves, the quantum of earmarked reserve balances forecast over the MTFS-period are adequate. Any application for EFS would consider whether the council could utilise



earmarked reserves or generate capital receipts through an asset disposal programme. Therefore, any application for EFS would be unlikely to be successful given the council's current and forecast level of earmarked reserves.

2.8 Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2026/27 to 2029/30 on 16 October 2025. The Council undertook a budget consultation exercise during December 2025 and January 2026.

2.9 The budget consultation exercise resulted in 171 responses. This is considerably higher than the previous year's consultation response level (42).

2.10 The consultation asked residents for their views on proposed Council Tax increases and the Council's priorities. Feedback from the consultation has been used to inform this report. An analysis of responses to the consultation is included in Annex I

2.11 The budget and MTFS have now been updated to reflect the following:

- The Government's announcement of the Provisional Local Government Settlement 2026/27.
- The estimated Council Taxbase 2026/27 and the forecast balance on the Collection Fund in respect of Council Tax collection in 2025/26; and
- Provision for changes which have arisen since 16 October 2025.

Local Government Finance Policy Statement, Settlement 2026/27 to 2028/29

2.12 The local government finance policy statement set out government's proposals for the 2026-27 to 2028-29 multi-year Local Government Finance Settlement, including details on the government's response to the Fair Funding Review 2.0 and other measures that would come through in the 2026-27 provisional Local Government Finance Settlement

2.13 The statement was significant in terms of breadth of coverage, although it did not provide local authority level allocations or full details to enable Councils to understand their likely funding position.



2.14 The provisional settlement for 2026/27 was published on 17 December 2025. As indicated in the policy statement, the settlement incorporated reforms arising from the Fair Funding 2.0 consultation with significant changes to the way local authorities are funded. The provisional settlement provided details of funding for the financial years 2026/27 through to 2028/29.

2.15 The Government's 4-week consultation on the settlement closed on 14 January 2026. The final settlement has yet to be published and may update funding allocations arising from the consultation. This report has been prepared based on figures contained within the provisional local government finance settlement.

2.16 The provisional settlement included the following, as summarised by Pixel in their note to local authorities following the publication of the settlement:

- The provisional settlement provided allocations for a 3-year period covering financial years 2026/27 through to 2028/29. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement representing a minimum level of funding.
- Reset of the Business Rates Retention system, major changes to all the Relative Needs Formulas (RNFs) and the simplification of many specific grants that have either been rolled in to the Settlement Funding Assessment (SFA) or into one of four consolidated grants.
- Funding floors have been introduced as part of the transition from the previous funding calculations (referred to as legacy system) and the new basis. By the end of the 3-year funding period Councils will have been fully moved to the new basis.
- For Cotswold District Council, a funding floor of 95% applies – in effect ensuring the Council's funding is no more than 5% lower than the 2025/26 equivalent allocation.
- **Council tax:** The settlement assumes that council tax will rise with the maximum uplift in Band D, and that taxbase will grow in line with the 4-year increase in taxbase. Maximum increases are 4.99% for upper-tier authorities, the higher of 2.99% or £5 for shire district councils, and £5 for fire authorities.



Taxbase growth is based on the change between the 2021-22 and 2025-26 CTR1s.

- **Settlement Funding Assessment (SFA):** SFA increases from £16.8bn in 2025-26, to £34.8bn in 2026-27 and then £35.3bn in 2028-29. SFA now includes £13.2bn in rolled-in grants from within the current CSP settlement, plus other rolled in grants, and the rolled-in amounts from the BRRS. In addition, there is growth in SFA from SR26.
- **Rolled-in grants:** Grants worth £13.2bn from the current CSP roll into SFA, as above. In addition, there are further grants from outside the current settlement that are rolling into SFA. These are lower in value (£543m) and include the Temporary Accommodation element of Homelessness Prevention Grant (HPG), and various other smaller grants. Some of these grants have not been paid out before and so you might find that they are not currently in your budget.
- **Business Rates Retention System (BRRS):** Business rates income worth £18.770bn is rolled into SFA in 2026-27. The calculator with these amounts was released as part of the Policy Statement. BRRS income includes BFL (which is funded from retained rates), all cap compensation payments (including indexation of the baseline and above-baseline amounts), pooling and pilot gains, and retained business rates income above-baseline.
- **Recovery Grant:** 2025-26 allocations will continue unchanged over the next 3 years. There is no allocation for Cotswold District Council.
- **Consolidated Grants:** Four new consolidated grant streams have been created to simplify funding from a range of different sources. Some grants from within the current CSP will be included (Domestic Abuse Safe Accommodation Grant, Children's Social Care Prevention Grant). Other grants are being brought together from outside the current settlement. Overwhelmingly the largest grant is the Public Health grant. By bringing together these grants into consolidated streams within the settlement, authorities will have to think about how to present these grants in their budget-setting process. Many of the grants will currently be treated as service grants rather than corporate resources.



- **2029/30 Cliff Edge:** Large funding floor payments will leave a large number of authorities substantially above their funding target in 2028-29. It is not clear how this funding “cliff edge” will be handled going into the next multi-year settlement. It creates ongoing uncertainty and means the objective of getting every authority to their funding target over 3 years may not be achieved.

Table 1a – Core Spending Power (as published)

Illustrative Core Spending Power of Local Government	2024-25 (£'000)	2025-26 (£'000)	2026-27 (£'000)	2027-28 (£'000)	2028-29 (£'000)
Fair Funding Allocation	0	0	7,572	5,190	2,745
of which: Baseline Funding Level	0	0	1,255	1,283	1,309
of which: Revenue Support Grant	0	0	6,317	3,906	1,436
of which: Local Authority Better Care Grant	0	0	0	0	0
Legacy Funding Assessment	9,267	9,589	0	0	0
of which: Legacy Business Rates	5,720	6,242	0	0	0
of which: Legacy Grant Funding	3,547	3,347	0	0	0
of which: Local Authority Better Care Grant	0	0	0	0	0
Council tax requirement	6,597	7,065	7,399	7,740	8,094
Homelessness, Rough Sleeping and Domestic Abuse	188	218	403	464	511
Families First Partnership	0	0	0	0	0
Total Transitional Protections	0	0	1,058	3,099	5,190
of which: 95% income protection	0	0	1,058	3,099	5,190
of which: 100% income protection	0	0	0	0	0
of which: Fire and Rescue Real-terms floor	0	0	0	0	0
Grants rolled in to Revenue Support Grant	185	218	0	0	0
Recovery Grant	0	0	0	0	0
Recovery Grant Guarantee	0	0	0	0	0
Mayoral Capacity Fund	0	0	0	0	0
Core Spending Power	16,237	17,090	16,432	16,494	16,540

Table 1b – Core Spending Power (summarised)

Illustrative Core Spending Power of Local Government	2024-25 (£'000)	2025-26 (£'000)	2026-27 (£'000)	2027-28 (£'000)	2028-29 (£'000)
Council tax requirement	6,597	7,065	7,399	7,740	8,094
Business Rates Retention - Baseline Funding Level (BFL)	5,720	6,242	1,255	1,283	1,309
Legacy Grant Funding / Revenue Support Grant	3,547	3,347	6,317	3,906	1,436
Transitional Protection - 95% income protection			1,058	3,099	5,190
Homelessness, Rough Sleeping and Domestic Abuse	188	218	403	464	511
Grants rolled in to Revenue Support Grant	185	218	0	0	0
Core Spending Power	16,237	17,090	16,432	16,494	16,540



2.17 The tables above show the reduction in Core Spending Power for 2026/27 with a cash-flat Core Spending Power for 2027/28 and 2028/29. The calculation of Core Spending Power by the government includes assumptions around increases in the level of Council Tax and in the Taxbase.

2.18 The Council will receive £1.721m of funding in respect of Extended Producer Responsibility in 2026/27. This is not included in the calculation of CSP but has been taken into account by the government when assessing the overall level of funding for councils.

2.19 The Council holds earmarked reserves for specific purposes. Members should consider the wider Reserves and Balances Strategy (as set out in Section 7 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.

2.20 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 the year, there are a number of external economic pressures on the Council that will have a material impact on the 2026/27 budget and MTFS.

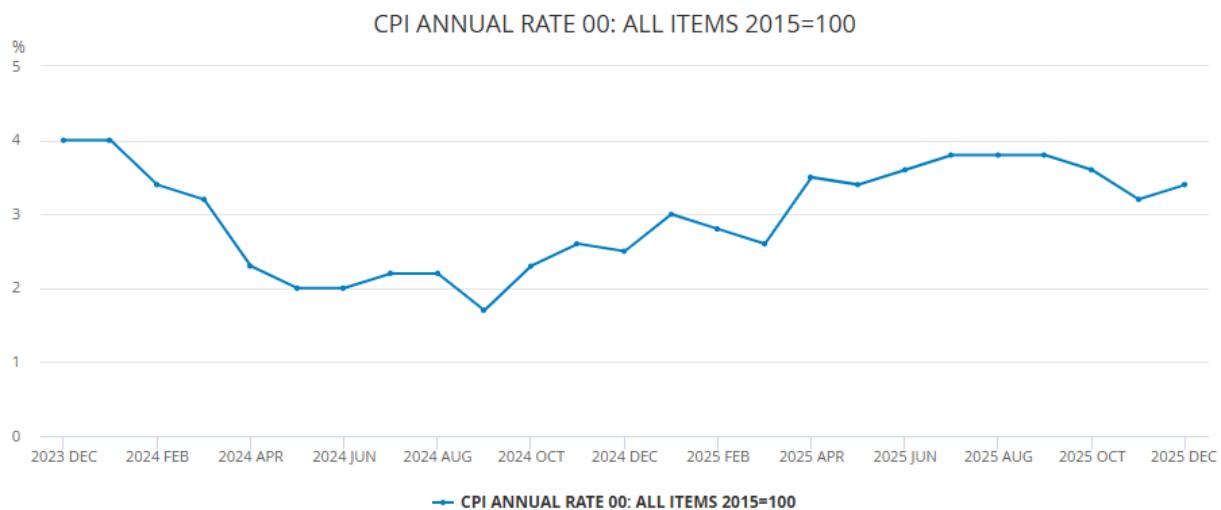
Inflationary Pressures

3.2 The level of inflation, as measured by the Consumer Prices Index, for December 2025 increased to 3.4% (from 3.2% in November 2025). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 4.2% (3.8% in



November 2025). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) remained at 3.3%.

Graph A – CPI Inflation

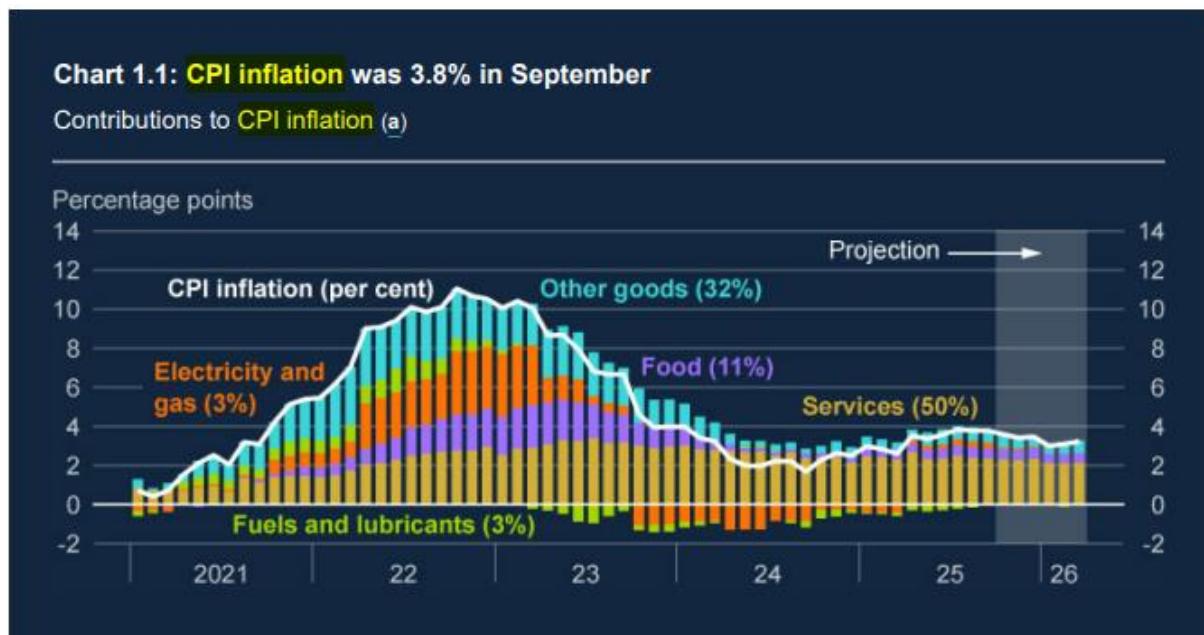


3.3 Although inflation has reduced since 2023 it has risen from a low of 1.7% in September 2024 to a peak of 3.8% by September 2025. Following a period of lower inflation, the December 2025 release broke that trend with the 0.2% increase. The Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI.

3.4 In its November 2025 Monetary Policy Report, the Bank of England confirmed that CPI inflation is judged to have peaked and is forecast to fall close to 3% in early 2026, before gradually returning to the 2% target by mid-2027. The graph below shows the CPI forecast published in the quarterly Bank of England Monetary Policy Committee report (November 2025).



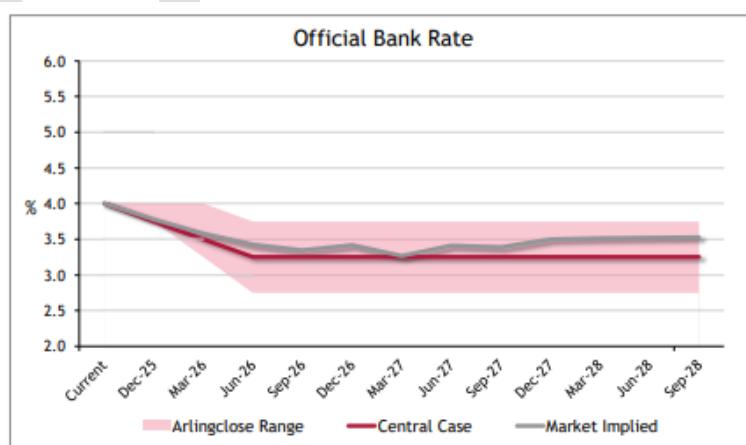
Graph B – Bank of England Fan Chart – Inflation



Interest Rates

3.5 The Bank of England reduced the Base rate in December 2025 by a further 0.25% to 3.75% commenting that the Bank felt the economy had moved beyond “the recent peak in inflation and it has continued to fall, so we have cut interest rates for the sixth time, to 3.75% today. We still think rates are on a gradual path downward. But with every cut we make, how much further we go becomes a closer call.” This was widely expected following lower the inflation rate reported in December.

Graph C – Interest Rate Forecast (December 2025)





3.6 The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). Unless further capital receipts are received as a result of asset disposals, the Council may need to undertake prudential borrowing.

3.7 With interest rates expected to continue to reduce slowly 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

3.8 The Office for Budget Responsibility published their economic and fiscal outlook in November 2025. The key observations and forecasts outlined in the report were:

- The economy is expected to grow by just over 1.5% in 2025, reducing slightly to 1.4% in 2026, stabilising at 1.5% over the remainder of the forecast.
- The OBR expect CPI inflation to be 3.5% in 2025 and 2.5% in 2026.
- From its current level of 4.00% (now 3.75%), market participants expect the Bank Rate to fall to 3.6% in 2026 before gradually rising to 4.0% by end-2030.
- Downward revision to the OBR's central forecast for the underlying rate of productivity growth in the medium-term to 1.0% (0.3% points lower than the March 2025 forecast)
- The unemployment rate is expected to remain close to its current rate of 5% until 2027.
- Living Standards, as measured by Real household disposable income (RHD) per person, grows by an average of just over 0.60% a year over the forecast.

4. 2024/25 REVENUE BUDGET

4.1 The original net revenue budget for 2025/26 was £15.704m giving rise to a budgeted surplus of £0.638m. Cabinet has considered the forecast outturn position during the



year with the last forecast outturn position of £0.654m reported in the Financial Performance Report – Q2 2025/26. This highlighted a forecast positive variation of £0.016m against the budget, although this was after significant additional transfers to earmarked reserves.

4.2 The MTFS has assumed that the budgeted surplus of £0.637m would be transferred to the Financial Resilience reserve. The Q2 Financial Performance report indicated that should the outturn position be more favourable, any additional surplus would be prioritised towards the Capacity Building reserve. The Q3 forecast will be considered by Cabinet at their meeting in April 2026 and should be viewed as a draft outturn position.

5. LOCAL GOVERNMENT REORGANISATION

5.1 Members will be aware that Gloucestershire submitted 3 proposals for the reorganisation of Local Government in Gloucestershire to the government in November 2025.

5.2 The submissions were considered by members in November ahead of the submission along with the full business cases for a single unitary and a two-unitary (East/West split) models.

5.3 The business cases outlined the transition costs associated with each proposal.

- £21.285m estimated transition costs for the single unitary proposal ("1UA").
- £30.129m estimated transition costs for the two unitary model proposal ("2UA").

5.4 At the Gloucestershire Leaders meeting on 24 November 2025, an action was taken by Chief Executives (CEXs) to consider how a unified officer proposal for sharing LGR costs may be brought to Leaders for decisions. A proposal for the split of costs was considered by Gloucestershire Leaders on 27 January 2026 with unanimous support. For completeness, the recommendations considered by leaders are shown in the box on the following page.



It is recommended that in order to fund the costs of reorganisation that:

1. A pooled fund is established, with Gloucestershire County Council (GCC) acting as the accountable body for the fund.
2. Contributions to the fund should be distributed as follows:
 - a. 55% of the fund to be provided by GCC; and
 - b. 45% of the fund to be provided by the six Gloucestershire district councils, each contributing an equal amount.
3. Given decisions will be needed as part of budget-setting processes for 26/27 onwards, contributions by all councils will be made at the start of the financial years 26/27 and 27/28 (It should be noted that for 26/27 an initial payment will be made, which will be updated for the full year when the Ministerial 'minded to' decision is announced).
4. The cashflow of contributions is modelled by all section 151 officers to ensure the Fund is able to meet its commitments over time. This may result in some variation to payment timing and amounts, given that two councils have indicated they may provide funds at a later date than others.
5. A detailed portfolio budget is developed, which will be adapted once the Ministerial decision is known.
6. In the short period to the start of 26/27, whilst decisions are taken through councils, Gloucestershire County Council will ensure costs are covered, and deducted from its subsequent contributions accordingly.
7. Each of the six districts makes a formal Cabinet/Council decision that commits their share to the fund, and delegates the management/hosting to GCC. Wording for reports has been drafted and agreed by CEXs and S151s and is annexed to this paper.
8. GCC makes a formal Cabinet decision in February 2026 that establishes the fund and commits the GCC contribution.
9. As part of the decision making referred to above, all seven councils delegate to an appropriate officer to enter into a Memorandum of Understanding (MoU).
10. Based on the contents of this paper, the Sponsor and Programme Lead for the Governance and Legal Programme are asked to draw up the MoU within the next 2-3 weeks.
11. A target completion date of the end of February 2026 is agreed to complete the work required, including agreement of the MoU, and decisions by all councils to enable their commitment to the Fund.



5.5 At this stage, it is not possible to be certain of the overall funding requirement from each council, which is dependent on two factors:

- The Ministerial decision on which proposal to take forward.
- The proportion of expenditure to be funded after vesting day in 2028.

5.6 The table below outlines the cost split for the different proposals. There is a material difference between the sums proposed for 1UA and 2UA.

55:45 County/Districts, Equal split Districts	1UA	2UA
Gloucestershire County Council	11,706,750	16,571,005
Cheltenham Borough Council	1,596,375	2,259,683
Cotswold District Council	1,596,375	2,259,683
Forest of Dean District Council	1,596,375	2,259,683
Gloucester City Council	1,596,375	2,259,683
Stroud District Council	1,596,375	2,259,683
Tewkesbury Borough Council	1,596,375	2,259,683
	21,285,000	30,129,100

5.7 All Gloucestershire councils are required to make provision within their 2026/27 financial plans for their local contributions to the Local Government Reorganisation (LGR) programme. The funding model for the LGR transition fund has been agreed as follows:

- Gloucestershire County Council will contribute 55% of the total fund,
- District Councils will split the remaining 45% equally.

5.8 Gloucestershire County Council will act as the accountable body for the jointly contributed transition fund. Contributions from each council will be called upon in line with the cashflow requirements of the LGR portfolio, ensuring that programme delivery is adequately resourced throughout the year.

5.9 Where a council is unable to provide its contribution in line with the programme's cashflow requirements—for example, where contributions are dependent on asset disposals that have yet to be realised—arrangements will be made by the LGR



Portfolio supported by the s151 officers across Gloucestershire to accommodate such circumstances. This may include agreeing alternative payment schedules or temporary bridging arrangements, to ensure the programme remains on track while recognising individual councils' financial positions.

5.10 Governance of the transition fund will be owned by the Joint Programme Board and overseen by the Leaders Steering Group, with regular reporting into each council's corporate overview and scrutiny arrangements. This ensures transparency, accountability, and effective oversight of expenditure and programme progress.

5.11 To provide adequate funding for the Council's share of the transition costs, it is recommended that £2m is set aside in a new earmarked reserve Council Priority: LGR Transition. This would be achieved through reprioritising part of the balance currently held in the Financial Resilience Reserve. Section 7 of this report sets out the forecast for earmarked reserves.

6. MEDIUM TERM FINANCIAL STRATEGY 2026/27 TO 2029/30

6.1 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 of government policy (funding and devolution) means the budget and medium-term are subject to considerable uncertainty.

6.2 Cabinet considered the *2026/27 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update* report [[link](#)] at their meeting in October 2025. The report set out the broad approach for the 2026/27 budget but did not change the February 2025 MTFS-based estimates of funding.

6.3 This report updates the estimates and budget proposals following the Provisional Local Government Finance Settlement published on 17 December 2025 (as set out in Section 2 of the report).



6.4 Service budgets have been updated for 2026/27, 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 3% (Publica) and 3% (Ubico plus a further 1% held by CDC as a contingency).
- 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.

6.5 Fees and Charges have been reviewed in accordance with the agreed approach of cost recovery with the 2026/27 Fees and Charges report at the January meeting of Cabinet setting out in detail the fees and charges proposed for 2026/27. This report has been prepared on the basis of the fees as approved by Cabinet.

6.6 An increase of £0.309m has been reflected in fees and charges that have been subject to review or increased in-line with the September 2025 CPI inflation rate of 3.8%. 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

6.7 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 service budgets – impact of inflation, changes in income projections, impact of Phase 1 of the Publica transition, movements between different cost centres within a service area.



6.8 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

Budget Pressures	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Communities and Place	88	88	88	88
Governance	191	191	161	161
Resources	189	189	189	189
Other	126	126	126	126
TOTAL	594	594	564	564

6.9 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 summarised below. Where income pressures have been identified this is largely where the current income budget is forecast to be unachievable due to changes in behaviour or demand.

- Unavoidable cost pressures: External Audit scale fee increase, Card processing fees
- Inflation-led or contract-related cost pressures: ICT Licences
- Income pressures: N/A

Inflation

6.10 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 reduced from their peak in 2022 but with global economic and political volatility may come under pressure in 2026/27.



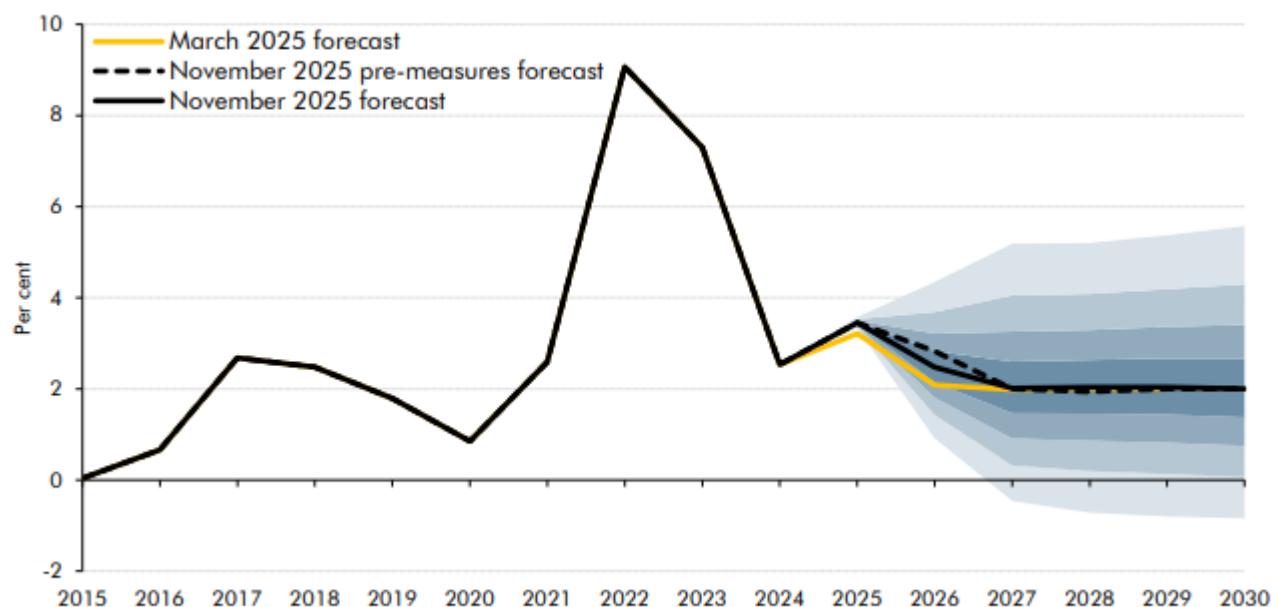
6.11 The inflation rate has fluctuated through 2025 and increased to 3.6% in December 2025. The Office for Budget Responsibility outlined their expectations for inflation in their November 2025 report:

- From 2.5 per cent in 2024, our central forecast for CPI inflation rises to 3.5 per cent this year, before falling to 2.5 per cent in 2026, 0.2 and 0.4 percentage points higher than we projected in March, respectively. We expect quarterly inflation to have peaked at just under 4 per cent in the third quarter of 2025, driven mainly by higher services and food price inflation. We forecast inflation to return to the Bank of England's 2 per cent target in 2027, a year later than forecast in March. Higher and more persistent inflation in this forecast reflects stronger momentum in services price inflation and higher wage settlement expectations for 2025 and 2026 outweighing a more persistent negative output gap.
- Government policy measures announced since March are expected to decrease inflation by 0.3 percentage points in 2026 (a peak quarterly impact of 0.5 percentage points in the second quarter of 2026), primarily reflecting the impact of measures that reduce household energy bills and the fuel duty freeze extension. We then expect Government policy to add 0.1 percentage points to CPI inflation in 2028, due to the new VED charge on electric vehicles in April 2028.
- Risks around the inflation outlook remain elevated, both due to domestic and international factors. Domestically, there is uncertainty about how far wage growth will moderate in the coming year, as well as the risk that higher inflation expectations will keep inflation higher for longer. Internationally, ongoing geopolitical developments could lead to further volatility in energy prices, and changes in global trade policy could significantly affect import prices. Purely based on past forecast errors, there is a one-in-five chance that CPI inflation in 2026 will be above 3.7 per cent and a similar chance that it will be below 1.4 per cent.
- We expect RPI inflation of 4.3 per cent in 2025 and 3.7 per cent in 2026, falling to average 3.0 per cent a year from 2027 to 2029. We then expect RPI to drop to 2.3 per cent in 2030 as the ONS converges RPI growth to equal CPIH growth. Alongside changes to CPI inflation, we expect a slightly higher RPI-CPI



wedge than in March in 2026 and 2027 due to higher mortgage interest payments, which only affect RPI.

Chart 2.12: CPI inflation



Note: Successive pairs of lighter-shaded areas around our central forecast represent 20 per cent probability bands.

Source: ONS, OBR

6.12 The main cost pressure facing the Council is the Pay Award which has been forecast at 3% over the MTFS period –above pre-Covid levels (2% to 2.5%) recognising the inflation prospects outlined above. The table below sets out the forecast for inflation over the MTFS period. There remains uncertainty on inflation in the short-term with risk around the level and extent of inflation provision made.

6.13 Inflationary pressures are evident through the contract sum negotiations with both Publica and Ubico and provision has been made within the 2026/27 Revenue Budget and MTFS based on assumptions and forecasts for inflation. A summary of the provision is provided below:



Table X – Inflationary Provision

Inflationary Provision	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Pay Inflation (CDC staff)	200	410	625	848
Publica Contract inflation (Pay Award)	197	400	600	800
Ubico Contract (All contract items)	310	608	914	1,228
Energy price inflation	0	0	0	0
TOTAL	707	1,418	2,139	2,876

6.14 The tables below set out the contract price changes agreed with Ubico for 2026/27 with the main increases due to provision for the Pay Award and increased cost pressures associated with the Waste Fleet.

Table 6a – Ubico Contract Costs

Ubico Services	2025/26 Ubico Contract (£'000)	2026/27 Ubico Contract (£'000)	Change (£'000)	Change (%)
GM - Car Parks	62	66	3	5.60%
GM - Cemetery, Crematorium and Churchyards	173	182	10	5.60%
Garden Waste Collection	1,310	1,323	14	1.06%
Household Waste	1,844	1,865	21	1.13%
Recycling	3,340	3,488	148	4.44%
Refuse / Recycling Organic & Food Waste	732	755	24	3.27%
Street Cleaning	1,387	1,476	89	6.44%
GM - Trinity Road, Offices	16	17	1	5.60%
Grand Total	8,863	9,173	310	3.50%



Table 6b – Multi-Service Gross and Net Cost

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	2026/27 Budget				
	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	66	0	66	0	66
GM - Cemetery, Crematorium and Churchyards	182	0	182	0	182
Garden Waste Collection	1,323	145	1,468	(1,593)	(125)
Household Waste	1,865	149	2,013	(3)	2,010
Recycling	3,488	238	3,726	(932)	2,794
Refuse / Recycling Organic & Food Waste	755	0	755	0	755
Street Cleaning	1,476	45	1,521	0	1,521
GM - Trinity Road, Offices	17	0	17	0	17
Grand Total	9,173	648	9,822	(2,606)	7,215

6.15 Energy prices decreased significantly from their peak in 2022. 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, there is no requirement to increase the budget for 2026/27. However, there remains uncertainty across the energy market due to the wider global political environment. Updated forecasts will be included in the regular quarterly financial and performance monitoring reports to Cabinet.

Risk Items

6.16 The 2026/27 Budget and MTFS includes budget provision to ensure the General Fund is not exposed to undue risk from contract inflation, procurement risk, and fees and charges income fluctuations.

6.17 £0.237m 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.



6.18 Cabinet approved changes to the Waste Fleet including switching from diesel to Hydrotreated Vegetable Oil (HVO) which lowers emissions at their meeting on 08 January 2026 ([link to Waste Fleet report](#)).

6.19 The report outlined the cost risk associated with HVO: "Market prices currently reflect a higher HVO cost against diesel. Should this differential remain, other things being equal there will be an increased revenue cost in 2026/27."

6.20 A specific contingency budget of £0.076m will be held centrally to mitigate the price risk which is based on a £0.15 margin per litre (multiplied by 508,000 litres).

6.21 These budgets 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 2027/28 budget setting process.

Savings & Transformation

6.22 To ensure the Council is able to set a balanced budget for the forthcoming financial year, savings have been included where proposals are robust and can be delivered. The table below provides a summary of the savings included in the MTFS.



Table 7 – Savings

Savings and Budget reductions	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
<u>Corporate Savings</u>				
Local Government Pension Scheme - Triennial Review	(500)	(500)	(500)	(500)
<u>Expenditure Savings</u>				
Vacancy factor (CDC)	(219)	(288)	(297)	(306)
Communities and Place	(46)	(46)	(46)	(46)
Governance	(1)	(1)	(1)	(1)
Resources	(11)	(11)	(11)	(11)
Other - Savings	(50)	(50)	(50)	(50)
<u>Fees & Charges</u>				
Car Parking Fees (tariff changes)	(129)	(129)	(229)	(329)
Garden Waste Collection	(8)	(142)	(252)	(362)
Planning Fees	(100)	(100)	(100)	(100)
Fees & Charges - review	(65)	(65)	(65)	(65)
TOTAL	(1,129)	(1,332)	(1,551)	(1,770)

6.23 As can be seen from the MTFS Summary table in this report, there remains a requirement to reduce costs and balance the budget over the MTFS period. The balanced budget requirement is considered in Section 7 of the report.

Fees and Charges

6.24 The Budget Strategy report restated the approach of full cost recovery from fees and charges where possible for the services it provides.

6.25 The outcome from the review and the proposed fees for 2026/27 was approved by Cabinet at their meeting in January 2026. The table below sets out the updated position on fees and charges income estimates for 2026/27 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 an Annexe to the 2026/27 Fees and Charges Report.

6.26 A review of Car Park fees and Season Ticket pricing has been undertaken with the fees for ½ hour and 1 hour stays at all the Council's car parks held at current levels. Fees for stays of 2 hours or more have increased in line with the inflation increase between October 2024 and October 2025.

6.27 The impact of the changes would be to increase the budgeted level of income in 2025/26 by £0.129m.

6.28 A Garden Waste fee increase of £4 (£69 to £73) takes into the cost of the service as provided by Ubico. This increase will ensure the Garden Waste service is provided on a cost recovery basis, as can be seen from the calculation below. The MTFS assumptions assumes a reduction in subscribers at the start of the year due in part due to price sensitivity:

Non-Service Expenditure and Income

6.29 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 2026/27 of £1.266m are proposed and will reduce for 2027/28 and then stabilise over the MTFS period. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned transfers to earmarked are set out below in more detail.

Treasury Management, Capital Financing and PWLB Lending Terms

6.30 The MTFS includes an estimate of the cost of borrowing required to support the capital programme. A Draft of the Treasury Management Strategy for 2026/27 (Annex F) was considered by Audit and Governance Committee at its meeting on 27 January 2026. 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.



6.31 The Council's capital financing approach is informed by the CIPFA and MHCLG guidance on the capital financing framework which has been reviewed and strengthened since 2020.

6.32 The October 2024 Budget and Provisional Local Government Finance Settlement confirmed Capital Flexibilities would continue to at least 2030. This would allow local authorities to develop local policies (subject to MHCLG and CIPFA guidance) to

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

6.33 The CIPFA Prudential Code on Capital Finance and Treasury Management Code of Practice were implemented in full with effect from April 2023. The main elements of the Codes are summarised below for reference only.

6.34 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.



6.35 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 TMP1 (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

6.36 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".

6.37 As set out in Section 3 of the report, the Bank of England has slowly reduced interest rates from their peak of 5.25% (August 2023) as inflationary pressures have eased. The current Bank of England base rate is 3.75% and was reduced from 4.00% at the MPC meeting on xx December 2025. The Council's Treasury Management advisors, Arlingclose believe there will be two further reductions in the bank base rate during 2026 tied to the quarterly reporting cycle. The next MPC meeting is scheduled for xxx. Rates are expected to reduce gradually with a rate cut expected in February 2026, followed by a further cut in Q3 2026, to a low of 3.25%.

6.38 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)

6.39 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme, with an annual MRP of £32k in 2026/27 and over the remainder of the MTFS-period.



6.40 The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024 concerning the duty of local authorities to make prudent MRP each year.

6.41 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 £1.177m has been forecast for 2026/27 recognising the resilient performance over the last 12 months whilst recognising the forecast fall in interest rates. The MTFS forecast assumes a reduced level of return 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.

IFRS9 Statutory Override

6.42 The Government confirmed in February 2025 an extension to the IFRS9 statutory override to 31 March 2029. Councils would need to comply with the requirements of IFRS9 from financial year 2029/30.

6.43 Since 2018, a statutory accounting override ("the override") has been in place that allows councils to disapply part of International Financial Reporting Standard 9 (IFRS 9), which would otherwise require councils to make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (pooled investment funds). The override was put in place by the previous government in response to councils' concerns that this requirement would adversely affect their financial position and to provide time for councils to prepare for full compliance with IFRS 9. The original override was a temporary measure due to end 31 March 2023, later extended by 2 years, with the most recent extension for a further 4 years. The override is currently due to end March 2029.



6.44 The implications for the Council could be significant. Should the value of the Council's Pooled Funds be below the original purchase value, any unrealised loss at the end of the 2029/30 financial year would need to be mitigated.

6.45 In anticipation of the statutory override period not being extended, the Council established a Treasury Management Risk reserve to hold funds to manage the cyclical nature of pooled funds. It is anticipated that the value of the reserve by 31 March 2026 will be £0.721m. However, there is a risk that the unrealised losses in a given year may exceed the amounts set aside in the earmarked reserve.

6.46 The Council will need to consider its risk appetite for potential pooled fund value fluctuations and whether further mitigation measures should be put in place. Such measures may include holding a greater balance in the earmarked reserve, consideration of disposal of some or all of the pooled funds. In reviewing mitigation options, the Council will need to consider the revenue impact as pooled funds provide a longer-term investment return which supports the General Fund budget.

7. BALANCED BUDGET REQUIREMENT

7.1 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 2026/27 with a transfer of funding from the Financial Resilience reserve to mitigate the forecast deficit of £0.416m. There remains a projected budget gap of £0.902m in 2027/28 and is forecast to increase to £1.866m in 2028/29 and £7.201m by 2029/30. **This is not the final position and will be updated ahead of the Council meeting on 23 February 2026 as the final reconciliation of Public Contract sum changes, estimate of business rates income and changes that may come through in the final settlement are included.** The table below presents an unmitigated position and assumes that there are no cost reductions or savings measures identified.



7.2 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The updated Council Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.

7.3 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.

7.4 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.

7.5 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.

7.6 As part of the early work in addressing the budget gap identified in the February 2025 MTFS, Cabinet agreed the following in the [Financial Performance Report 2025-26 Quarter 1](#) at their meeting on 04 September 2025:

- The revenue budget is likely to come under further pressure in 2026/27 and 2027/28 as the Council considers the impact from LGR and ensures services continue to be provided to residents as usual. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary



structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government's decision.

- It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end, subject to the final outturn position:
 - Transformation and Change
 - Capacity Building
- **Vacancy Management** - oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.

7.7 During 2025/26, officers have identified several Transformation projects that could be delivered to support the wider Savings and Transformation programme.

7.8 As outlined in the 2026/27 Budget Strategy and MTFS Update report considered by Cabinet at their meeting in October 2025, the primary focus will be on Resident focused transformation and smarter internal working projects. This will help ensure adequate cost reductions are identified, scoped, and planned over the MTFS period. Savings and Transformation ideas are likely to be within the common themes already identified:

- Digitalisation - increased use of technology, using existing tech to maximum capacity, and use of AI for efficiencies.
- Resident self-service - via improved web offer, increased use of comms channels
- Workforce fit for the future – upskilling and restructuring.
- Improved systems and processes to remove waste and failure-demand grouped by workstream and indicate outcomes expected in terms of financial



and service benefits and set challenging but achievable action plans for delivery by agreed periods.

- 7.9** These will be brought forward in the new financial year once an action plan for each major workstream has been developed. Project Management support and external support may be required on individual lines of enquiry to ensure options are fully appraised prior to inclusion in the programme.
- 7.10** This will require careful consideration of the resources required to support and deliver a more comprehensive medium-term programme where service delivery responsibility is evolving.
- 7.11** The budget consultation undertaken in December 2025 through to January 2026 asked residents for their views on the approach the Council should take over the next 2 years ahead of reorganisation. Question 3 focussed on the approach to Transformation.

The Government has announced that the way local government is organised in Gloucestershire will change from April 2028. This will see the abolition of Cotswold District Council, Gloucestershire County Council and the other five district, borough and city councils. They will be replaced by one or two new unitary councils. Which of the options described below, which set out possible approaches to service delivery and spend in the Council's last two years, do you prefer?

Either:

Maintain services as they are so the new council can take them over easily.

Or:

Transform services so that they are more cost-effective and customer focussed.



Transform services so that they are more cost-effective and customer focussed 56.7% (97 choices)



Maintain services as they are so the new council can take them over easily, or 38.6% (66 choices)



No answer 4.7% (8 choices)



7.12 As shown in the summary table above, 56.7% of respondents preferred services to be transformed so that they are more cost-effective and customer focussed.

Balances and Reserves

7.13 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).

7.14 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.

7.15 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.



7.16 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.

7.17 As set out earlier in the 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 since 2018 and local authorities seeking exceptional financial support.

7.18 The review of reserves and balances maintains the distinction between the General Fund Balance and Earmarked Reserves.

7.19 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

7.20 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.

7.21 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.

7.22 A review of the revenue reserves was undertaken as part of the 2026/27 budget setting to support the Council's priorities as indicated below:

- Preparing for the future
- Delivering good services
- Responding to the climate emergency
- Delivering housing
- Supporting communities
- Supporting the economy

7.23 It is recommended that the following reserves are maintained to support delivery of the Council Plan, support Local Government Reorganisation, and the ongoing preparation of the Council's Local Plan:

- **Council Priority: LGR Transition** – as set out in Section 5 of this report, allocate £2m from the Financial Resilience reserve to the new LGR Transition reserve.
- **Council Priority: Capacity Building** – as set out in the Q1 Financial Performance Report considered by Cabinet in September 2025, this reserve has been established to provide additional one-off funding for staffing resources that support the council in ensuring services continue to be provided to residents as usual. It is recommended that a balance of £1m is maintained.
- **Council Priority: Local Plan** reserve – a further £0.130m is transferred from the Regeneration/Infrastructure reserve and allocated to the to ensure the Local Plan preparation can be completed by December 2026.
- **Council Priority: Climate Emergency** reserve is maintained at £0.100m



- **Council Priority: Housing Delivery** reserve is maintained at £0.548m and is utilised to finance the Joint Venture with Bromford at Down Ampney providing 14 affordable homes.
- **Council Priority: Regeneration/Infrastructure** reserve is closed with the balance of £0.130m allocated to the Local Plan reserve.
- **Council Priority: Transformation and Change** reserve is maintained at £0.400m to provide funding for savings and transformation support, projects and invest to save initiatives.
- **Council Priority: Capital Financing** – it is recommended that a new reserve is established with transfers to the reserve from specific service areas to provide funding for related capital expenditure.
- **Risk Mitigation** reserves are maintained at a level as advised by the Council's Section 151 Officer to mitigate specific risks such as Planning Appeal costs, Treasury Management risk, Business Rates Risk.

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

7.25 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.

7.26 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.



Table 9a – Reserves and Balances Forecast

	Closing Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£)	Estimated Balance 31/03/2027 (£)	Estimated Balance 31/03/2028 (£)	Estimated Balance 31/03/2029 (£)	Estimated Balance 31/03/2030 (£)
Earmarked Reserves						
General Fund Balance	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities						
Council Priority: Transformation and Change	(580)	(400)	(200)	0	0	0
Council Priority: Publica Review	(108)	0	0	0	0	0
Council Priority: Climate Emergency	(233)	(100)	0	0	0	0
Council Priority: Housing Delivery	(500)	(548)	(398)	0	0	0
Council Priority: Local Plan	(1,005)	(799)	(299)	0	0	0
Council Priority: Regeneration/Infrastructure	(200)	0	0	0	0	0
Council Priority: LGR Transition	0	0	(2,000)	0	0	0
Council Priority: Capacity Building	0	(1,009)	(509)	0	0	0
Council Priority: Capital Financing	0	0	0	0	0	0
Subtotal Council Priorities	(2,625)	(2,856)	(3,406)	0	0	0
Risk Mitigation						
Financial Resilience Reserve	(2,943)	(4,257)	(2,257)	(257)	(257)	(257)
Other Risk Mitigation Reserves	(2,957)	(3,982)	(1,911)	(2,436)	(1,715)	(1,715)
Subtotal Risk Mitigation	(5,899)	(8,239)	(4,168)	(2,693)	(1,972)	(1,972)
Revenue Grants Unapplied	(2,229)	(1,132)	(955)	(955)	(955)	(955)
Ringfenced Earmarked Reserves	(57)	(52)	(52)	(52)	(52)	(52)
Other Revenue reserves	(214)	(169)	(169)	(169)	(169)	(169)
TOTAL Earmarked Reserves	(11,025)	(12,448)	(8,750)	(3,869)	(3,148)	(3,148)
TOTAL Earmarked Reserves and Balances	(12,785)	(14,208)	(10,510)	(5,629)	(4,908)	(4,908)

7.27 The level of reserves and balances shown in the table indicates that the Council is in a good financial position. Members should note that the Council Priority reserves will be fully utilised by the end of the 2027/28 financial year.

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

7.29 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.



7.30 Balances held under each Council Priority may need to be reviewed should there not be adequate mitigation to the budget gap as outlined in the MTFS.

Table 10 – Summary Medium Term Financial Forecast

Medium Term Financial Strategy	MTFS Period			
	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Opening Budget				
Service	17,359	17,359	17,359	17,359
Corporate	1,266	(212)	187	187
Net Revenue Budget	18,625	17,146	17,545	17,545
Budget Changes & Adjustments				
Provision for Inflation	707	1,418	2,139	2,876
Budget Pressures	1,357	1,878	1,778	1,778
Other budget pressures	0	0	0	0
Savings	(1,978)	(2,181)	(2,350)	(2,568)
REVISED Net Revenue Budget	18,712	18,262	19,114	19,631
Less: Transfers from Earmarked Reserves	(1,264)	(315)	(248)	(248)
Subtotal	17,448	17,946	18,865	19,383
Funded by:				
Council Tax	(7,420)	(7,722)	(8,031)	(8,344)
Business Rates	(1,255)	(1,283)	(1,309)	(1,335)
Revenue Support Grant	(6,317)	(3,906)	(1,436)	(1,469)
Transitional Protection @ 95%	(1,058)	(3,099)	(5,190)	0
EPR	(1,721)	(1,033)	(1,033)	(1,033)
Collection Fund	740	0	0	0
TOTAL Funding	(17,032)	(17,044)	(16,999)	(12,182)
Budget shortfall/(surplus)	416	902	1,866	7,201



8. FUNDING

8.1 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

8.2 As set out earlier in Section 2, the provisional local government finance settlement has provided much more certainty than has been the case since 2019/20. Subject to confirmation in the final settlement in February 2026, the funding outlined in the provisional settlement will help the Council deliver services with greater certainty and more effectively over the next 3 years.

8.3 However, estimating the level of Government funding for 2029/30 is difficult as this period is outside the current Spending Review period which runs until the end of the 2028/29 financial year.

Business Rates

8.4 As part of the Local Government Finance reforms set out in the Fair Funding 2.0 consultation and included in the provisional settlement, the level of business rates to be retained by local authorities from April 2026 has been reset.

8.5 The government have provided a new Baseline Funding Level (BFL) being the minimum level of funding the council will receive from business rates as part of the wider assessment of funding needs.

8.6 The new BFL is £1.255m which is significantly lower than previous years. With the reset of the business rates retention system, for 2026/27 a safety net payment is triggered should the council's retained business rates income fall below the BFL.

8.7 The Council was required to finalise its Business Rates estimates for 2026/27 and its initial estimate of any surplus or deficit for 2025/26 by 31 January 2026. 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.



8.8 Forecasting business rates income is complex with the impact a new 3-year revaluation period, additional business rates multipliers, and changes to the transitional relief arrangements contributing to the level of uncertainty around forecasts for the medium-term.

8.9 The estimate of business rates income has been prepared based on the rateable value of properties on the rating list using the new valuations and multipliers. 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.

8.10 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.

8.11 The draft forecast for business rates included in this report is at the Baseline Funding Level with an additional amount retained from Renewable Energy schemes. The assumption made in the MTFS is the Council's share of retained business rates is estimated at £1.255m in 2026/27. The final estimate will not be available until 31 January 2026, and it is recommended that a delegation is provided to the Council's Deputy Chief Executive, in consultation with the 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.

8.12 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.



8.13 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. It is important that the Council is aware of the risk on the Collection Fund – there can be significant change in business rates income from one year to the next.

8.14 The draft position on the Collection Fund is a deficit of £2.278m of which £0.911m is Cotswold's share. In order to mitigate the impact this would have on the 2026/27 revenue budget (the deficit would reduce the level of funding), an equal amount will be transferred from the Business Rates risk reserve and Section 31 Grant reserve.

8.15 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 (To Follow for Council)

Gloucestershire Business Rates Pool

8.16 T reset of the Business Rates system was integral to the Fair Funding 2.0 review and has been reflected in the Provisional Local Government Finance Settlement. New Baseline Funding Levels (BFL) have been provided to all councils in Gloucestershire which in effect remove the growth achieved since the introduction of the business rates retention system in April 2013.

8.17 As advised to members in the 2026/27 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update report, it was unlikely that business rates pooling would be viable in Gloucestershire following a business rates reset.

8.18 Gloucestershire Section 151 Officers considered the prospects for pooling in November 2025 ahead of the budget. External support from LG Futures was provided to model the impact from pooling in 2026/27. This concluded pooling was not financially viable given the safety net protection offered to councils outside of pooling was more generous than within a pool. Therefore, as there was too much



risk and negligible reward all councils in Gloucestershire decided to withdraw from pooling.

Extended Producer Responsibility [EPR]

8.19 In November 2024, the Department for Environment, Food and Rural Affairs (DEFRA) set out the amount of funding the Council would receive for extended producer responsibility. The funding is intended to help local authorities to cover net costs of collecting, managing, recycling and disposing of household packaging waste.

8.20 In the first year (April 2025 to March 2026) local authorities will receive a basic payment based on:

- publicly available and existing data, including WasteDataFlow information and Office of National Statistics (ONS) data.
- data about tonnages, operations and unit costs gathered from a representative sample of LAs across the UK

8.21 The amount allocated to Cotswold for 2025/26 was an initial £1.502m with a further allocation of £0.188m taking the total for the year to £1.691m

- From the second year (April 2026 to March 2027) the basic payment and any adjustments will be based on data local authorities submit to the Scheme Administrator.
- The amount allocated to Cotswold for 2026/27 is £1.721m

8.22 It is difficult to estimate the amount of ongoing funding the Council may receive from EPR as it will be dependent of a number of factors such as the data that will need to be submitted, producer and consumer behaviour, assessment of costs of an efficient service as determined by DEFRA.

8.23 For the purposes of the MTFS, an assumption has been made that future funding would be at 60% of the 2026/27 allocation. This will need to be reviewed during 2025/26 as the scheme for future years is developed by the scheme administrator.



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

Table 12 – Funding assumed in MTFS forecast

Funding included in the MTFS	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Council Tax	(7,420)	(7,722)	(8,031)	(8,344)
Business Rates Retention - Baseline Funding Level (BFL)	(1,372)	(1,401)	(1,427)	(1,453)
Business Rates Retention - Above BFL	0	0	0	0
Revenue Support Grant	(6,317)	(3,906)	(1,436)	(1,469)
Transitional Protection @ 95%	(1,058)	(3,099)	(5,190)	0
EPR	(1,721)	(1,033)	(1,033)	(1,033)
Collection Fund - Council Tax (Surplus) / Deficit	(172)	0	0	0
Collection Fund - Business Rates (Surplus) / Deficit	1,097	0	0	0
TOTAL Funding	(16,964)	(17,161)	(17,116)	(12,299)

Council Tax

8.25 The referendum threshold for 2026/27 for Shire Districts including Cotswold District Council is 2.99% 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.

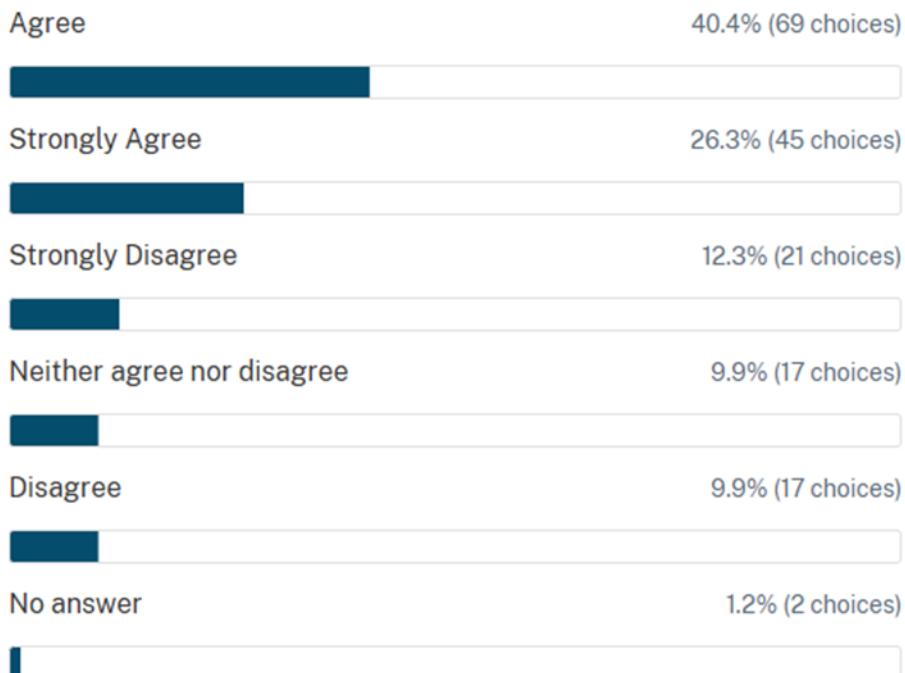
8.26 The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.

8.27 A £5 increase in Council Tax formed part of the Budget Consultation undertaken in December 2025 through to January 2026. The results of the consultation exercise indicated strong support from respondents to a £5 increase in the Band D Council Tax rate. Question 1 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?

8.28 The response to this question was supportive. 66.7% agreed or strongly agreed with the proposed Council Tax increase. 22.2% disagreed or strongly disagreed whilst 11.1% neither agreed nor disagreed or provided no answer.



8.29 A Council Tax rise of £5 increases the Band D rate from £158.93 to £163.93 and will generate an additional £0.354m in additional Council Tax revenue annually (when taken with estimated changes to the taxbase and additional premiums). The MTFS assumes an increase of up to £5 per annum. This would generate £1.279m over the MTFS period including 2026/27 (£0.924m 2027/28 to 2029/30).



Table 13 – Council Tax Income

	2026/27	2027/28	2028/29	2029/30
Taxbase	45,261.49	45,714.10	46,171.25	46,632.96
Assumed Band D rate (£)	163.93	168.93	173.93	178.93
Precept (£)	7,419,716	7,722,484	8,030,565	8,344,035
Increase (£)	354,298	302,768	308,081	313,470
Cumulative Increase (£)	354,298	657,065	965,146	1,278,617

8.30 At their meeting on 20 March 2024 Council approved to introduce a Council Tax premium on second homes (from April 2025) and to apply the maximum premium for Empty Homes (from April 2024) as set out in the Levelling Up and Regeneration Act 2023. The scheme was introduced from 01 April 2025.

8.31 This Second Homes Premium has been reviewed by the Leader and Cabinet Member for Finance, in consultation with the Deputy Chief Executive and will be maintained for 2026/27 to ensure the level of funding available to support the Council priority and the Council's wider financial sustainability objectives are met.

8.32 The Council will continue to engage with second homeowners and Parish and Town Councils during 2026 to ensure the taxbase reflects the number of second homes in the district.

8.33 The Empty Homes Premium is applied to dwellings which are unoccupied and substantially unfurnished with an increasing level of premium depending on the length of time the property has remained Empty.

- Premium of 100% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) after 1 year up to 5 years of becoming empty;
- Premium of 200% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) between 5 years and 10 years;
- Premium of 300% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) for 10 years or more.



8.34 The decision to set Council Tax remains an annual decision for Council to consider when setting the budget in February.

Local Council Tax Support Scheme

8.35 Council approved the Council Tax Support scheme for 2026/27 at their meeting on 26 November 2025. Revisions to the scheme included an increase to income bands within the scheme of 3.8% to give support to households through the cost-of-living crisis.

8.36 The cost of the scheme will increase by approximately £21k across all preceptors, with the cost to Cotswold District Council estimated to be just under £2k. The impact of this has been reflected in the Council Tax estimate included within the MTFS.

Council Taxbase

8.37 The Taxbase for 2026/27 has been estimated at 45,261.49 and represents an increase of 805.32 (1.81%) over the 2025/26 figure when including the estimated number second homes that would be liable for the premium. On a like-for-like basis (i.e. excluding the impact of the updated Second Homes numbers), the increase is 272.76 (0.61%).

8.38 Due to the position with the Local Plan and slower than expected housing delivery from key strategic sites during 2025/26, no additional growth has been included in the taxbase estimate for 2026/27. 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)

8.39 The Council Tax Collection Fund is estimated to be in surplus by the end of the current financial year by £1.422m. Cotswold District Council's share is £0.172m and is included within the Council Tax Collection Fund deficit line within the MTFS.

8.40 Collection rates for Council Tax have remained resilient in 2025/26. 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 marginally below the collection rate for the same period in 2025/26 and the total collected is forecast to be above the level precepted against the Collection Fund.

8.41 Any surplus of deficit on the Collection Fund is shared across the major precepting authorities (Gloucestershire County Council and Gloucestershire Police and Crime Commissioner).

9. CAPITAL PROGRAMME 2026/27 TO 2029/30

9.1 The Council's Capital Strategy and Capital Programme are considered over a four-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.

9.2 The Council has set out its Capital Programme for the period 2026/27 to 2029/30 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 £9.538m in 2026/27 is proposed. Total expenditure over the programme period is estimated at £18.5m (£21.6m when including the current financial year)

9.3 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. Overall, the programme is shaped to ensure the Council maintains essential services, supports community needs and invests responsibly for the long term.



Table 14 – Summary Capital Programme

Capital Programme	REV						2026/27	to	2029/30	TOTAL
	2025/26	2026/27	2027/28	2028/29	2029/30	Budget	£'000	£'000	£'000	£'000
Leisure & Communities	64	600	0	0	550		550		1,150	
Housing Delivery	1,845	1,839	2,231	1,775	1,819		1,819		7,664	
Environmental Services	651	6,349	1,676	205	224		224		8,454	
Climate Emergency	0	0	0	0	0		0		0	
ICT, Change and Customer Services	150	350	150	150	150		150		800	
UK Rural Prosperity Fund	0	0	0	0	0		0		0	
UK Shared Prosperity Fund Projects	327	0	0	0	0		0		0	
Assets & Property	272	400	0	0	0		0		400	
Corporate Investment	0	0	0	0	0		0		0	
	3,309	9,538	4,057	2,130	2,743				18,468	

9.4 The capital programme includes investment in the waste and recycling service. This incorporates the purchase of up to 31 new collection vehicles, including the fleet's first electric vehicle to test EV performance and suitability across the district. The programme also proposes the purchase of a fuel bunker at the Ubico Environmental Services Cotswold Depot and the purchase of a fuel bunker at the Ubico environmental services Cotswold Depot, enabling the adoption of Hydro-treated Vegetable Oil (HVO) – a low carbon, sustainable fuel derived from used cooking oil and industrial by-products. This investment supports both service resilience and the Council's 'responding to the climate and ecological emergency' priority.

9.5 Further investment is planned in the Council's Leisure Centres, ensuring the continued delivery of high-quality leisure services, and in schemes that support housing delivery across the District.

9.6 The Council has developed an Asset Management Strategy supported by Carter Jonas during 2024/25. This was presented to Cabinet in May 2024 and is being further developed to include detailed asset management plans and Minimum



Efficiency Standards (MES) considerations for the Land and Buildings assets it holds. The emerging strategy provides a longer-term view of the income and expenditure profiles, tenant events, hold and disposal options. 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 services, to support the local economy or provide income in line with expectations. Where there are opportunities to use assets more effectively to deliver Council Priorities, business cases will be presented to the Cabinet or Council for approval.

- 9.7** Until the current financial year, the capital programme has been predominantly financed through capital receipts. Although these are forecast to deplete over the capital programme period the Council is no longer proposing to use additional prudential borrowing to fund the programme. Instead, schemes will be supported through revenue contributions (RCCO) and existing earmarked reserves, thereby avoiding associated interest and MRP costs. Other sources of finance supporting the capital programme, either from external sources (government grants and other contributions), the Council's own resources (capital receipts).
- 9.8** 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.
- 9.9** The removal of previously proposed prudential borrowing reflects both the level of financing available within the revenue base and current forecasts for capital receipts and grant funding. If additional resources become available during the capital programme period, projects aligned with the Council's strategic capital objectives will be brought forward for approval. Given current borrowing costs, any new business case will need to demonstrably robust, include sufficient financial headroom, and be subject to additional challenge from officers prior to consideration by members.



Table 15 – Summary Capital Financing Statement

Capital Financing Statement	REV					2026/27 to 2029/30 TOTAL Budget (£'000)
	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	
Capital receipts	1,207	4,308	1,516	355	924	7,103
Capital Grants and Contributions	2,102	1,689	1,731	1,775	1,819	7,014
Earmarked Reserves	0	1,829	810	0	0	2,639
Revenue Contribution to Capital Outlay (RCO)	0	1,712	0	0	0	1,712
Community Municipal Investments (CMI)	0	0	0	0	0	0
Prudential Borrowing	0	0	0	0	0	0
	3,309	9,538	4,057	2,130	2,743	18,468

10. KEY ASSUMPTIONS, RISKS, AND UNCERTAINTIES

10.1 There are a number of financial risks that the Council will face over the medium-term.

The 2026/27 Budget and the MTFS have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.

10.2 The first key risk is around the impact of Devolution and Local Government

Reorganisation over the MTFS-period. Planning for a new unitary structure from mid-2026 will require additional staff capacity and costs may be higher if the process is subject to delays. It is expected that additional capacity will be needed to support the refreshed Corporate Plan, ensure services continue to be provided to residents, and support LGR. Cabinet agreed in September 2024 that any in year surplus or one-off gains should be transferred to the Capacity Building Reserve to support this.

10.3 The second key risk is around the continued impact on the Council from pressures within the wider economy including growth expectations, inflation and interest rates. This will have an impact on income and expenditure budgets during 2026/27 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 2026/27.



- 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

10.4 In order to ensure adequate provision is made for the costs and mitigation options, the Council must have adequate financial headroom. Therefore, it is proposed that the following approach is adopted:

- Any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end (Capacity Building), subject to the final outturn.
- Ongoing review of vacancies with first call on confirmed underspends to be allocated to the Capacity reserve.
- Flexible use of capital receipts (subject to business case and assessment of wider capital financing implications)

10.5 The budget has been prepared considering key financial risks facing the Council over the medium- term, principally:

- Delays or changes to Local Government Reorganisation affecting cost exposure.
- 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.)

11. CONCLUSIONS

11.1 Despite the uncertainties earlier in 2025 around Local Government Funding Reforms, the outcome from the provisional local government finance settlement and the approach the Council has taken during 2025/26 to mitigate future financial risk, 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.

11.2 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.

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

11.4 The Capital Programme includes planned expenditure £9.538m in 2026/27 which includes provision of £6.0m for the acquisition of new Waste Vehicles.

11.5 Until the current financial year, the capital programme has been predominantly financed through capital receipts. Although these are forecast to deplete over the capital programme period **the Council is no longer proposing to use additional prudential borrowing to fund the programme**. Instead, schemes will be supported through revenue contributions (RCCO) and existing earmarked reserves, thereby avoiding associated interest and MRP costs. Other sources of finance supporting the capital programme, either from external sources (government grants and other contributions), the Council's own resources (capital receipts).

11.6 The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £158.93 per annum to £163.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.

11.7 The Council is required to balance the budget one year from the next and must deliver an ongoing savings and transformation programme – a robust, balanced, and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.



11.8 Reserves continue to be held in support of the Council's priorities and to mitigate against the substantial increased risk the Council is facing. And are considered adequate for the forthcoming financial year given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2026/27.

12. FINANCIAL IMPLICATIONS

12.1 The financial implications are set out in detail within the report.

13. LEGAL IMPLICATIONS

13.1 None directly as a result of a review of the draft report

14. RISK ASSESSMENT

14.1 Section 11 of this report sets out the risks and uncertainties around the 2025/26 budget and MTFS forecast.

15. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

15.1 None

16. BACKGROUND PAPERS

16.1 None

(END)

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ANNEX B
MEDIUM TERM FINANCIAL STRATEGY

	MTFS Period			
	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Medium Term Financial Strategy				
Net Service Expenditure Budgets	17,359	17,359	17,359	17,359
Corporate Items/Non Service Income & Expenditure				
Corporate Items	345	345	345	345
Treasury Management	(1,142)	(867)	(468)	(468)
Transfer to Earmarked Reserves	2,063	310	310	310
Provision for Inflation	707	1,418	2,139	2,876
Standstill Budget	19,332	18,564	19,685	20,421
Budget Pressures and Growth				
Growth	0	750	750	750
Budget Pressures	594	564	564	564
Publica Review	763	564	464	464
Income Pressures	0	0	0	0
Legislative and Technical Adjustments	0	0	0	0
Risk Items	0	0	0	0
Subtotal	1,357	1,878	1,778	1,778
Savings and Transformation Items				
Third Party & Contract Savings	0	0	0	0
Corporate Savings	(500)	(500)	(500)	(500)
Service Expenditure Savings	(1,176)	(1,195)	(1,154)	(1,163)
Corporate Income	0	0	0	0
Fees and Charges	(302)	(486)	(696)	(906)
Savings Targets	0	0	0	0
Subtotal	(1,978)	(2,181)	(2,350)	(2,568)
Net (Savings) or Growth	(621)	(303)	(571)	(790)
Draft Net Revenue Budget	18,712	18,262	19,114	19,631
Less: Funding from Earmarked Reserves	(1,264)	(315)	(248)	(248)
Net Revenue Budget to be financed	17,448	17,946	18,865	19,383
Funded by:				
Council Tax	(7,420)	(7,722)	(8,031)	(8,344)
Business Rates Retention - BFL + RE	(1,255)	(1,283)	(1,309)	(1,335)
Business Rates Retention - Pixel Forecast (over/above BFL)	0	0	0	0
Revenue Support Grant	(6,317)	(3,906)	(1,436)	(1,469)
Transitional Protection - 95% income protection	(1,058)	(3,099)	(5,190)	0
Extended Producer Responsibility (EPR) 2025/26 onwards	(1,721)	(1,033)	(1,033)	(1,033)
Collection Fund - Council Tax (Surplus) / Deficit	(172)	0	0	0
Collection Fund - Business Rates (Surplus) / Deficit	911	0	0	0
TOTAL Funding	(17,032)	(17,044)	(16,999)	(12,182)
Budget Gap / (Surplus)	416	902	1,866	7,201

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ANNEX C – BUDGET PRESSURES AND SAVINGS

Budget Pressures and Savings	MTFS Period			
	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)
Budget Pressures				
Communities and Place	88	88	88	88
Governance	191	191	161	161
Resources	189	189	189	189
Other	126	126	126	126
TOTAL Budget Pressures	594	594	564	564
Corporate Savings and Income				
LGPS - Triennial Valuation	(500)	(500)	(500)	(500)
Subtotal	(500)	(500)	(500)	(500)
Expenditure Savings				
Vacancy factor (CDC)	(219)	(288)	(297)	(306)
Communities and Place	(46)	(46)	(46)	(46)
Governance	(1)	(1)	(1)	(1)
Resources	(11)	(11)	(11)	(11)
Other - Savings	(50)	(50)	(50)	(50)
Subtotal	(327)	(396)	(405)	(414)
Fees and Charges				
Car Parking Fees (tariff changes)	(129)	(129)	(229)	(329)
Garden Waste Collection	(8)	(142)	(252)	(362)
Planning Fees	(100)	(100)	(100)	(100)
Fees & Charges - review	(65)	(65)	(65)	(65)
Subtotal	(302)	(436)	(646)	(856)
TOTAL Savings/Additional Income	(1,129)	(1,332)	(1,551)	(1,770)

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ANNEX D
CAPITAL PROGRAMME 2026/2027 TO 2029/2030

Capital Programme by Service Area	REV	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	2026/27 to 2029/30 TOTAL Budget (£'000)
	2025/26 Budget (£'000)					
Leisure and Communities						
Replacement Leisure Equipment	0	500	0	0	550	1,050
BOTW Pool Works	34	0	0	0	0	0
Cirencester LC Lift replacement	0	100	0	0	0	100
Government funded decarbonisation	0	0	0	0	0	0
Crowdfund Cotswold	30	0	0	0	0	0
	64	600	0	0	550	1150
Strategic Housing						
Private Sector Housing Renewal Grant (DFG)	1,775	1,689	1,731	1,775	1,819	7,014
Bromford Joint Venture Partnership	70	150	500	0	0	650
	1,845	1,839	2,231	1,775	1,819	7,664
Environment						
Waste & Recycling receptacles	82	84	86	88	91	349
Pay and display machines - replacement programme	0	165	0	0	0	165
Provision for financing of Ubico Vehicles	292	6,000	1,590	117	133	7,840
In cab technology (Street Cleaning)	60	0	0	0	0	0



ANNEX D
CAPITAL PROGRAMME 2026/2027 TO 2029/2030

Capital Programme by Service Area	REV						2026/27 to 2029/30 TOTAL Budget (£'000)
	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)		
Fuel Bunkering	0	100	0	0	0	0	100
Electric Vehicle Charging Points - ORCS Grant	183	0	0	0	0	0	0
Public Toilets - Card Payment (bc)	34	0	0	0	0	0	0
	651	6349	1676	205	224		8454
ICT, Change and Customer Services							
ICT Capital	150	150	150	150	150	150	600
Planning Documents and Scanning Solution	0	200	0	0	0	0	200
	150	350	150	150	150		800
Communities							
UK Rural Prosperity Fund Projects	229	0	0	0	0	0	0
UK Shared Prosperity Fund Projects	60	0	0	0	0	0	0
	289	0	0	0	0		0
Assets & Property							
Asset Management Strategy	200	400	0	0	0	0	400
	200	400	0	0	0		400
TOTAL Capital Programme	3,199	9,538	4,057	2,130	2,743		18,468



ANNEX D
CAPITAL PROGRAMME 2026/2027 TO 2029/2030

Capital Financing Statement	REV 2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	2026/27 to 2029/30 TOTAL Budget (£'000)
Capital receipts	1,135	4,308	1,516	355	924	7,103
Capital Grants and Contributions	2,064	1,689	1,731	1,775	1,819	7,014
Earmarked Reserves		1,829	810	0	0	2,639
Revenue Contribution to Capital Outlay (RCCO)		1,712	0	0	0	1,712
Community Municipal Investments (CMI)		0	0	0	0	0
Prudential Borrowing		0	0	0	0	0
	3,199	9,538	4,057	2,130	2,743	18,468

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ANNEX E DRAFT ANNUAL CAPITAL STRATEGY 2026/27

ANNUAL CAPITAL STRATEGY 2026/27

1. STRATEGIC CONTEXT AND PURPOSE

1.1 The Council's capital investment programme brings together many aspects of the Council's services and financial planning. This is driven by the 2025 refresh of the Council's 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. (Responding to the climate emergency)
- Deliver a programme of activities through the Shared Prosperity and Rural England Prosperity Funds (Supporting the economy)
- Providing good quality affordable housing, with an emphasis on social rent and provision for young people, military veterans and families. (Delivering housing)
- Promote community activity through CrowdFund Cotswold (Supporting communities)
- Ensure the leisure and culture contracts deliver core provision and positive community outcomes (Supporting communities)
- Digital transformation: accelerating the use of digital technology to improve council services, enhance accessibility and promote digital inclusion across communities (Preparing for the future)
- Develop a fleet replacement programme and adapt to changes in waste legislation. (Delivering good services)
- Improve and digitise engagement with the customers of the Waste and Environment Services (Delivering good services)
- Invest in and maintain our car parks (Delivering good services)

1.2 The Council has historically been able to manage funding its capital programme through the use of capital receipts. The Council expects to fund the majority of its capital programme going forward from the use of capital receipts and through



ANNEX E DRAFT ANNUAL CAPITAL STRATEGY 2026/27

revenue contributions to capital outlay (RCCO). This is discussed in more detail within Section 3 of this report.

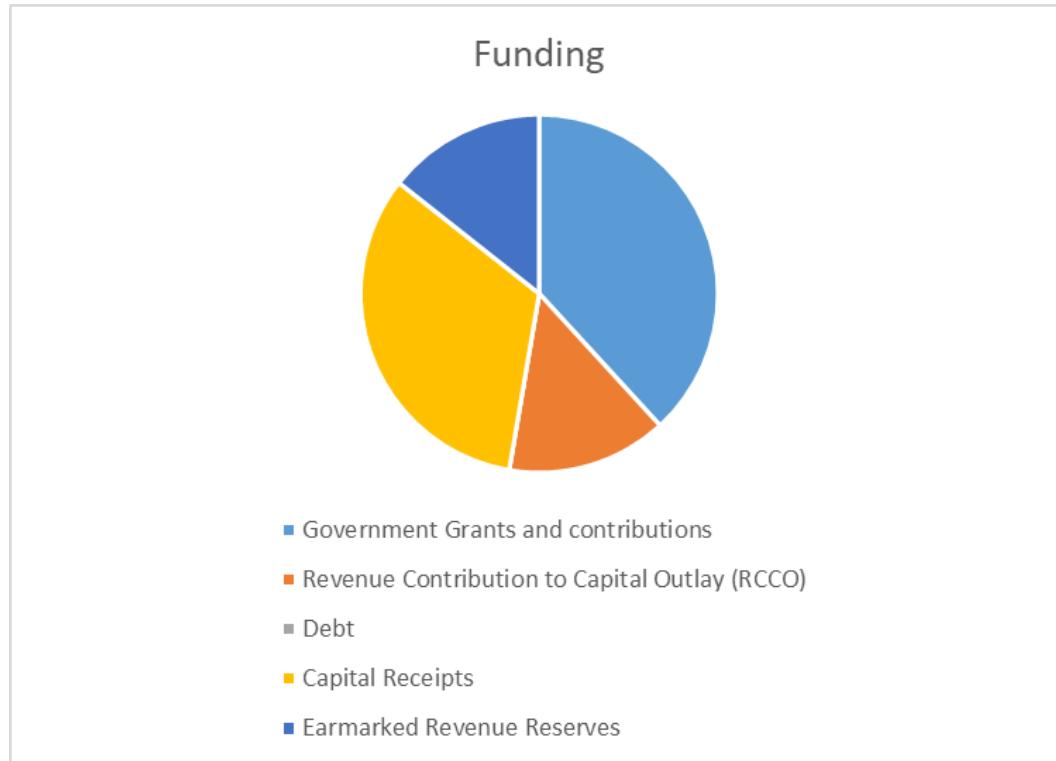
2. CAPITAL RESOURCES AND FINANCING

- 2.1** The capital programme is planned to be fully financed from a combination of existing resources, external grants and contributions, capital receipts, and contributions from revenue (RCCO), no borrowing is anticipated avoiding associated interest and minimum revenue provision charges. 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 £18.4m have been identified to fund the four-year capital programme from 2026/27 to 2029/30, with £2.8m of this being financed through capital receipts and £2.3m through revenue contributions. If any borrowing is required, 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. Based on the current capital programme and available resources, the Council does not anticipate the need for new external borrowing over the medium term. The capital programme is fully funded from grants, revenue contributions, capital receipts, and earmarked reserves. Borrowing will only be considered if circumstances change or for value for money reasons. Whilst the Council has no current plans to borrow, prudential borrowing remains an option should future capital investment be justified subject to a full business case and assessment of affordability, sustainability and prudence and Council approval as appropriate.
- 2.4** A breakdown of the resources utilised to fund the capital programme is shown in **Chart 1** and **Table 1** below:



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Chart 1 – Resources to fund the Capital Programme 2026/27 to 2029/30





ANNEX E DRAFT ANNUAL CAPITAL STRATEGY 2026/27

Table 1 – Capital Financing

	2024/25 Actual (£m)	2025/26 Revised forecast (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)	2029/30 Budget (£m)
Specific Resources						
Government Grants and contributions	3.4	2.1	1.7	1.7	1.8	1.8
Other specific Revenue resources	0.0	0.0	0.0	0.0	0.0	0.0
SUBTOTAL Specific Resources	3.4	2.1	1.7	1.7	1.8	1.8
Corporate Resources						
Debt	0.3	0.1	0.0	0.0	0.0	0.0
Capital Receipts	3.4	0.8	3.8	1.0	0.4	0.9
Revenue Contribution to Capital Outlay	0.0	0.0	2.2	0.5	0.0	0.0
Earmarked Revenue Reserves	0.0	0.0	1.8	0.8	0.0	0.0
SUBTOTAL Corporate Resources	3.7	0.9	7.7	2.3	0.4	0.9
TOTAL Resources	7.1	3.0	9.4	4.1	2.1	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 within the annual Statement of Accounts [statement-of-accounts-2024-2025](#).

3.2 Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £9.4m in 2026/27 and £18.4m over the four-year period to 2029/30 as summarised below in **Table 2**:

Table 2 – Estimates of Capital Expenditure

Spend by Council Priority Area	2024/25 Actual (£m)	2025/26 Forecast (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)	2029/30 Budget (£m)
Responding to Climate Emergency	0.5	0.2	0.0	0.0	0.0	0.0
Supporting Communities	1.3	0.1	0.5	0.0	0.0	0.6
Delivering Good Services	1.5	0.8	7.1	1.8	0.4	0.4
Delivering Housing	2.5	1.6	1.8	2.2	1.8	1.8
Supporting the Economy	1.0	0.3	0.0	0.0	0.0	0.0
SUBTOTAL Priority Areas	6.8	3.0	9.4	4.1	2.1	2.7
Capital investments	0.3	0.0	0.0	0.0	0.0	0.0
TOTAL	7.1	3.0	9.4	4.1	2.1	2.7



ANNEX E DRAFT ANNUAL CAPITAL STRATEGY 2026/27

- 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. Capital programme expenditure and treasury management performance is regularly monitored and reported to Members at the Audit and Governance 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 £1.7m per year.

5. CAPITAL FINANCING- INTERNAL RESOURCES

- 5.1** **Financing from Capital Receipts:** 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.
- 5.2** **Asset management:** An updated asset management strategy was adopted by Cabinet in May 2024, supported by detailed Asset Management Plans for all land and property assets to ensure the Council is achieving the maximum benefit from its assets. Carter Jonas has been instructed to undertake this work. 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 deliver Council Priorities, business 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.



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The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects up until and including 2029/30 (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

Capital Receipts	2024/25 Actual (£m)	2025/26 Forecast (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)	2029/30 Budget (£m)
Asset sales*	0.0	0.6	0.0	0.0	0.0	0.0
Ubico Loans repaid for Vehicle purchase	0.8	0.9	0.9	1.3	1.3	1.3
Other Loans repaid	0.3	0.1	0.0	0.0	0.0	0.0
TOTAL	1.1	1.5	1.0	1.4	1.4	1.4

* Asset sale receipts include receipts from “Right to Buy” asset disposals from Bromford Housing Association and the disposals outlined in paragraph 5.6.

5.6 The Council made a decision to dispose of the vacant Visitor Information Centre in Bourton on the Water and Old Station and Memorial Cottages in 2024/25, both sales completed in the 2025/26 financial year. At this stage, no other significant disposals are planned between 2025/26 and 2029/30 but in light of the Asset Management Strategy, this will be an evolving position.

5.7 The Council’s Audit and Governance Committee receive information on the Council’s asset portfolio as part of its consideration of the financial statements.

Financing from Earmarked Reserves

5.8 The table below sets out the value of the current Capital Programme that is planned to be financed from earmarked reserves. This includes:

- **£1.3m** from the *Extended Producer Responsibility Grant* reserve to finance capital expenditure for the Waste and Recycling fleet replacement programme;
- **£0.65m** from the *Housing Delivery* earmarked reserve to support the Bromford Joint Venture partnership;



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- **£0.4m** from the *Asset Management and Property* reserve to fund asset management expenditure; and
- **£0.1m** from the *Climate Change* reserve to finance the Fuel Bunkering project.

Table 4: Capital Programme Funded by earmarked reserves

Reserve Funding	2025/26 Forecast (£m)	2026/27 Forecast (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)	2029/30 Budget (£m)
Service Improvements	0.0	1.8	0.8	0.0	0.0
Investment	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	1.8	0.8	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 1**.

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 has reviewed its capital programme and confirms that no further prudential borrowing is expected to be required over the medium-term financial period. All currently approved schemes are fully financed through grants, contributions, capital receipts and reserves. The Council remains compliant with the CIPFA Prudential Code and maintains the governance, controls and monitoring arrangements necessary to support borrowing should the need arise in future. Notwithstanding the current position, the Council retains the option to undertake borrowing where a robust business case demonstrates clear service or financial benefit and where such borrowing is affordable, sustainable and prudent.



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6.5 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.

6.6 Local Authorities must not borrow more than or in advance of their needs purely to profit from the investment of extra sums borrowed. The Council currently has no 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.

6.7 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.

6.8 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.

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

Capital Financing Requirement	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual (£m)	Budget (£m)	Forecast (£m)	Forecast (£m)	Forecast (£m)
Investment in Council Priorities	0.4	0.5	0.4	0.4	0.4
Capital Investments	0.0	0.0	0.0	0.0	0.0
TOTAL CFR	0.4	0.5	0.4	0.4	0.4

Liability Benchmark

6.10 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 £10m at each year-end. The liability benchmark is currently -£9m and is forecast to rise to



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-£0.07m over the next three years as the Council's earmarked reserves are forecast to reduce

6.11 **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

6.12 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 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)	Forecast to 31/03/2027 (£m)	Forecast to 31/03/2028 (£m)	Forecast to 31/03/2029 (£m)
Forecast outstanding borrowing / Debt	(0.26)	(0.16)	(0.05)	0.00	0.00
Capital Financing Requirement	0.36	0.46	0.43	0.40	0.36
Liability benchmark	(8.87)	(9.03)	(5.99)	(0.07)	(1.12)
Authorised limit	10.00	10.00	10.00	10.00	10.00
Operational boundary	5.00	5.00	5.00	5.00	5.00

6.13 The Council's full MRP statement is included as **Appendix 1** and is also mirrored in the Annual Treasury Management Strategy.

Revenue Budget Implications

6.14 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**.



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

Financing costs	Actual as at 31/03/2025	Forecast to 31/03/2026	Forecast to 31/03/2027	Forecast to 31/03/2028	Forecast to 31/03/2029
Financing costs (£m)	0.012	0.009	0.035	0.033	0.032
Proportion of net revenue stream	0.07%	0.05%	0.21%	0.19%	0.19%

6.15 Further details on the revenue implications of capital expenditure are covered in section 6 of the 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report.

Sustainability

6.16 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 £0.2m of borrowing at an average interest rate of 2.2% and £31.0m of treasury investments at an average rate of 4.16%.

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.



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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 investments to buy, and the Authority may request its money back at short notice.

Table 8 :Treasury management investments in £millions

Treasury Management Investments	Actual as at 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)	Forecast to 31/03/2027 (£m)	Forecast to 31/03/2028 (£m)	Forecast to 31/03/2029 (£m)
Near-term investments	11.5	11.5	3.8	0.1	1.1
Longer-term investments	12.5	12.7	12.7	10.3	10.3
TOTAL	24.0	24.2	16.5	10.4	11.4

7.5 Further details on treasury investments are included in Section 4 of the Treasury Management Strategy [Annex F]

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 [Annex F]

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 the Audit and Governance Committee, Overview and Scrutiny and then Council. The Audit Committee is responsible for scrutinising treasury management decisions.



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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 £2.3m with the largest being a loan facility to a local housing association with a current balance of £1.9m.

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 £3.6m 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: [Annex F]

9. COMMERCIAL ACTIVITIES

9.1 Commercial investments or activities are those that 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 £4.205m, with the largest being £1.4m (Cirencester town centre property leased as retail units) at 31 March 2025, providing a net return after all costs of 6.07% (forecast 5.69% in 2025/26).



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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 and Governance 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 is responsible 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 Non-Treasury Investment Strategy.

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

PI: Net Revenue Stream	2024/25 Actual (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)	2027/28 Forecast (£m)	2028/29 Forecast (£m)
Total net income from service and commercial investments (£m)	0.27	0.37	0.52	0.52	0.53
Proportion of net revenue stream	1.59%	2.26%	3.04%	3.04%	3.08%



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10. OTHER LIABILITIES

10.1 In addition to debt of £0.2m detailed above, the Authority is committed to making future payments to cover its pension deficit (valued at £13m). 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 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 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,



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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



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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 2026 [Annex D].
- 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 and Strategic Finance team, Managers and Directors 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 who 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.



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ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2026/27

- 1.1** 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 Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance), most recently issued in April 2024.
- 1.2** 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.
- 1.3** 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, but does not preclude the use of other appropriate methods. This statement only incorporates options recommended in the Guidance.
- 1.4** MRP is calculated by reference to the capital financing requirement (CFR), which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.
- 1.5** For 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 in equal instalments. 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.



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- 1.6** 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.
- 1.7** 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 overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.
- 1.8** For capital expenditure on **loans to third parties** which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during the year, with the capital receipts so arising applied to finance the expenditure instead.
- 1.9** For capital expenditure on **loans to third parties** which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year that they are received.
- 1.10** For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. When expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- 1.11** 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



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the loan is no higher than the principal amount outstanding less the expected credit loss.

1.12 Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or later.

1.13 At the commencement of 2025/26 the Council had, a Capital Financing Requirement (CFR) of £0.360m in relation to capital expenditure incurred between 2022/23 and 2024/25 financed from borrowing via a Community Municipal Investment (CMI). Expenditure funded from Borrowing undertaken through the CMI in 2022/23 has resulted in an MRP charge to the Council's General Fund Revenue Account between 2023/24 and 2025/26 and in future years.

1.14 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2026, the MRP budget for 2026/27 has been set at (£0.32m).

1.15 Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.

Capital receipts: Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follow:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculation will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

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DRAFT ANNUAL TREASURY INVESTMENT STRATEGY 2026/27

1. INTRODUCTION

1.1 This report sets out the Treasury Management Strategy and policy for 2026/27. 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.

1.2 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."

1.3 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

1.4 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

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

1.6 The impact on the UK from the government's Autumn budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over



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the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Council's treasury management strategy for 2026/27.

1.7 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 **Appendix 1** to this Strategy.

2. PURPOSE OF TREASURY MANAGEMENT

2.1 The 2026/27 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



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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 of 1 January 2026, the Council therefore holds a £0.209m 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** Although no further borrowing is planned, 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.



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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 ranged from £20m to £46m due to timing differences between income and expenditure. The average forecast investment balance for 2026/27 is estimated to be around £25.5m.

4.4 On the 31st December 2025, the Council held £41.1m of treasury investments which are outlined in Table 1.



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Table 1 – Treasury investments as of 31 December 2025

Treasury Investments	31st December Actual Portfolio £m	31st December Average Rate £%
Money Market Funds/Call Accounts and other pooled funds	9.0	3.90
Banks	3.0	3.83
Short Term Investments – Bank of England DMADF	17.2	3.79
CCLA Property Investment Management	2.2	3.97
CCLA Diversified Income	0.9	2.63
Schroders Unit Trusts Ltd	1.0	3.95
M&G Securities Ltd	2.0	3.36
Ninety One (formerly Investec)	1.9	4.28
Columbia Threadneedle Fund	2.0	4.64
Federated Cash Plus Fund	1.2	N/A
Fundamentum Housing REIT	0.7	3.00
Total treasury investments	41.1	3.87

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



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Table 2. Forecast Investments

	31.3.25 Actual	31.3.26 Estimate	31.3.27 Forecast	31.3.28 Forecast	31.3.29 Forecast
	£m	£m	£m	£m	£m
Short term holdings					
Call Accounts	0.054	0.000	0.000	0.000	0.000
MMFs	8.193	8.000	2.700	0.000	1.000
Short Term Deposits	2.587	3.000	1.000	0.100	
Current Account	0.671	0.500	0.100	0.000	0.100
Total Short term	11.505	11.500	3.800	0.100	1.100
Longer term holdings					
Pooled Funds	10.500	10.500	10.500	8.000	8.000
REIT	1.000	1.000	1.000	1.000	1.000
Cash + Fund	1.000	1.200	1.250	1.300	1.350
Total Longer term	12.500	12.700	12.750	10.300	10.350
TOTAL INVESTMENTS	24.005	24.200	16.550	10.400	11.450

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.



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4.7 The Bank of England (BoE) has remained cautious in lowering the base rate in 2025/26, reducing in 3 increments from 4.50% in April to 3.75% in December. The Bank is signalling that one more cut will likely occur before the end of 2025/26 and then the market is anticipating one more cut to 3.25% in 2026/27 where it expects the rate to hold, depending on inflation concerns.

4.8 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.

4.9 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 2

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	£5m	£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-*



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4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.



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4.16 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 2026, the Council holds a £0.209m 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 2026/27.
- 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 £10m 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



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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.

	Actual 31/03/2025 £m	Forecast 31/03/2026 £m	Forecast 31/03/2027 £m	Forecast 31/03/2028 £m	Forecast 31/03/2029 £m
CFR	0.36	0.46	0.43	0.40	0.36
Less Outstanding External Borrowing	-0.26	-0.16	-0.26	0.00	0.00
Internal Borrowing	0.10	0.30	0.16	0.40	0.36
Usable reserves	-22.62	-22.69	-14.92	-8.96	-9.98
Working capital	0.23	-1.50	-1.50	-1.50	-1.50
Investments	-22.30	-23.89	-16.25	-10.07	-11.12

Table 4a – Prudential Indicator: Liability Benchmark £m.

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
CFR	0.36	0.46	0.43	0.40	0.36
Less Balance Sheet Resources	-22.23	-24.19	-16.42	-10.46	-11.48
Net Loans Requirement	-21.87	-23.73	-15.99	-10.07	-11.12
Plus Liquidity Allowance	13.00	10.00	10.00	10.00	10.00
Liability Benchmark	-8.87	-13.73	-5.99	-0.07	-1.12

5.6 The liability benchmark is currently -£9 million, reflecting the fact that the Council has no requirement for external borrowing and that its available cash balances are fully invested in accordance with the Treasury Management Strategy. Over the next two years, the liability benchmark is forecast to move to -£0.07 million, driven by the planned application of capital receipts and earmarked reserves to finance the Capital



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Programme. Despite this reduction in cash-backed resources, there remains no requirement to undertake external borrowing over the period.

Borrowing Strategy

- 5.7** The Council does not anticipate the need for any new prudential borrowing over the Medium-Term Financial Strategy period, as the approved capital programme is fully funded from existing resources including capital receipts, capital grants, revenue contributions, and earmarked reserves.
- 5.8** In the absence of any planned external borrowing, the Council's borrowing strategy focuses on maintaining a low-risk treasury position. The priority is to avoid unnecessary exposure to external interest rate volatility while ensuring sufficient liquidity to deliver the capital programme and meet operational requirements.
- 5.9** Affordability and long-term financial sustainability remain key considerations. Funding the capital programme through internal resources significantly reduces treasury risk and avoids the costs associated with external borrowing. The Council will continue to monitor economic conditions and assess whether future borrowing may become necessary in response to emerging pressures or revisions to the capital programme.
- 5.10** Using internal resources avoids borrowing costs and supports a prudent, risk-averse approach to treasury management. However, the Council will keep under review the relative merits of external borrowing in the event that long-term interest rates or capital requirements change materially.
- 5.11** Short-term borrowing may still be utilised when required to manage temporary cash-flow variations, but no long-term borrowing is planned during the forthcoming period

Sources of Borrowing

- 5.12** The main source of long-term borrowing for local authorities historically has been the Public Works Loans Board (PWLB). The Council remains eligible to access PWLB borrowing and recognises PWLB as its preferred source should external borrowing become necessary in the future due to its competitive rates and operational



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simplicity. No PWLB borrowing is planned at this time, as the capital programme does not require it.

5.13 The National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd). Borrowing from the National Wealth Fund is not currently anticipated. Should this option need to be explored in future, any proposals would be brought to Cabinet and Full Council for approval.

5.14 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. The Council does not hold any LOBO loans and has no plans to enter into such arrangements.

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. Short-term or variable-rate borrowing will only be used to cover short-term cash-flow requirements. No use of such borrowing is planned for capital financing purposes.

5.15 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.

5.16 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. The Council may continue to use Community Municipal Investments where appropriate. These instruments provide opportunities for residents and investors to support environmentally or socially



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beneficial projects. Their use is unaffected by the decision not to undertake prudential borrowing.

- 5.17** The Council will continue to monitor market developments and retain flexibility to adopt alternative sources of funding should the need arise. These options may include listed or private placements, bilateral loans, inter-authority borrowing, or sale-and-leaseback arrangements, provided they offer good value and align with the Council's strategic objectives.
- 5.18** The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Section 7.
- 5.19** 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 and Governance 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



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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 4.9 above.
- 6.7** The Council's revenue reserves available to cover investment losses are forecast to be £6.7m on 31 March 2026. 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.



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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



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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 in 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 £10m) 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:



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Interest rate risk indicator	Target
Upper limit on one year revenue impact of a 1% <u>rise</u> in interest rates	-£0.23
Upper limit on one year revenue impact of a 1% fall in interest rates	£0.23m

7.4 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.

7.5 **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%

7.6 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.

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	2026/27	2027/28	2028/29
Limit on principal invested for longer than a year	£13m	£13m	£13m
Amounts invested in longer term investments with no fixed maturity date	£13m	£13m	£13m



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8. TREASURY MANAGEMENT REVENUE BUDGET

- 8.1** The budget for investment income in 2026/27 is £1.005m, based on an average investment portfolio of £25.5m at an interest rate of 3.76%.
- 8.2** The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.505m.
- 8.3** Investments in liquid assets such as bank deposits and money market funds are expected to return 3.25% and generate a yield of £0.500m.
- 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.



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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.

NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2026/27

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 that meet the accounting definition of financial assets but are not investments in the everyday sense of the



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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 and 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 £35m and £20.6m during the 2026/27 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 2026/27 for Treasury Management investments are covered in the Treasury Management Strategy.

3. SERVICE INVESTMENTS: LOANS

3.1 Contribution: The Council lends money to local charities, housing associations and local residents 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. As at 31st December 2025 the Council holds a unsecured loan balance of £1.977m and has committed to convert this to a secured loan of £1.897m, repayable over a 50 year term, to a local Housing Association. This arrangement supports the Council's strategic priorities by enabling



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the delivery of 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. 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	31.3.2025 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	296,436	0	296,436	450,000
Housing associations	1,961,125	0	1,961,125	2,000,000
Loans to Ubico (£500,000) or Publica £500,000)	0	0	0	1,000,000
Local residents (equity loans)	63,936	0	63,936	130,000
TOTAL	2,321,496	0	2,321,496	3,580,000



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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 £



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Category of Company	31.3.2025 actual			2026/27
	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.



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Table 3: Property held for investment purposes in £

Property Type	01-Apr 2024	31.3.2025 actual		31.3.2026 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,355,000	-290,000	1,065,000	0	1,065,000
Investment Property within Cotswold District: 27A Dyer Street	1,410,000	10,000	1,420,000	0	1,420,000
Investment Property outside of Cotswold District: Superdrug, Worcester	510,000	-165,000	345,000	0	345,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,100,000	-275,000	825,000	0	825,000
Investment Property outside of Cotswold District: West Bromwich (Warley)	500,000	50,000	550,000	0	550,000
TOTAL	4,875,000	-670,000	4,205,000	0	4,205,000

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 2024/25 reflecting the valuer's assumption of the reductions in rental income expected in 2025/26 and potential



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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 2024/25 which are a direct result of the valuation undertaken as at 31st March 2025. The losses will not be recognised unless the Council decides to dispose of the properties owned. 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 need cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.



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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** In July 2022, Cotswold District Council entered into an agreement with Cottsway 2 Housing Association, to provide an unsecured development loan of up to £3.753m in increments upon drawdown requests. The first request was received in June 2023 and the balance outstanding as at the 31st December 2025 is £1.977m. During the final quarter of the 2025/26 financial year, the loan will be converted into a secured loan with a 50-year term. The interest rate applicable to the secured element of the loan, originally set at 3.25% as outlined in the Council report dated July 2022, was increased to a minimum rate of 4.00% following a formal variation to the agreement executed on 31 December 2025.

PROPORTIONALITY

- 6.4** 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 Council's Head of Strategic Housing, Property and Assets responsible for the Council's property and estates



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function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.

6.5 With the introduction of the revised PWLB lending terms, the Council has no intention of purchasing investment assets primarily for yield. 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 (£)

	2024/2025 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Treasury Investment income	-1,611,514	-1,484,000	-1,005,000	-700,000	-500,000
Loans income	-8,824	-151,680	-69,036	-67,715	-66,350
Share dividend	0	0	0	0	0
Investment Property income	-380,075	-332,203	-427,622	-436,174	-444,898
Investment income	-2,000,413	-1,967,883	-1,501,658	-1,203,890	-1,011,248
Gross service expenditure	32,436,810	29,688,148	37,950,725	36,536,004	36,267,416
Proportion	6.17%	6.63%	3.96%	3.30%	2.79%

7. BORROWING IN ADVANCE OF NEED

7.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. The Council will need to borrow in future years to fund new capital



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expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.

- 7.2** 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.
- 7.3** 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.

8. CAPACITY, SKILLS AND CULTURE

Elected members and statutory officers:

- 8.1** 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:
 - make informed decisions as to whether to enter 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.
- 8.2** 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,



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including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).

- 8.3** 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.
- 8.4** The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.
- 8.5** The Council has experience of investing in commercial property in recent years. Since July 2025, the property service has been delivered in-house, supported by a dedicated team of property officers. The team brings a strong mix of professional expertise and qualifications, including:
 - BSc Hons Real Estate Management
 - BSc Hons Quantity Surveying
 - HND Building Studies
 - Member Royal Institute Chartered Surveyors
 - Royal Institute Chartered Surveyors Registered Valuer
 - P403 Surveying and Sampling Strategies for Asbestos in Buildings
 - Carbon Literacy Certified
- 8.6** 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;



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- Non practicing Barrister.

8.7 The Property and Legal Teams work together with the Finance team to support the Council's Chief Finance Officer in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

8.8 The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.

8.9 **Commercial deals:** The Council's Chief Finance Officer, Deputy Chief Finance Officer are all aware of the core principles of the Prudential Framework and of the regulatory regime within which local authorities operate.

8.10 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.

8.11 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:

8.12 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.

8.13 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.

8.14 The Audit and Governance 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



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approval. Treasury Management performance is reported quarterly to the Council's Overview and Scrutiny Committee, Audit and Governance Committee and to Full Council.

8.15 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 and Governance Committee.

9. INVESTMENT INDICATORS

9.1 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

9.2 **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 £



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Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	22,392,781	24,200,000	16,500,000
Service investments: Loans	2,321,496	2,277,490	2,254,190
Service investments: Shares	1	1	1
Commercial investments: Property	4,205,000	4,205,000	4,205,000
TOTAL INVESTMENTS	28,919,278	30,682,491	22,959,191
Commitments to lend	1,897,500	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	30,816,778	30,682,491	22,959,191

9.3 How investments are funded: Government guidance is that these indicators should include how investments are funded. No investments are currently funded by borrowing. All the Authority's investments are funded by usable reserves and income received in advance of expenditure.

9.4 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)



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Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.67%	4.16%	3.76%
Charities Loans	3.46%	3.59%	3.60%
Housing Association Loans	0.00%	4.00%	4.00%
Local residents (equity loans)	0.00%	0.00%	0.00%
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property*	6.07%	5.69%	7.90%

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



Appendix 1

Arlingclose Economic and Interest Rate Forecast (January 2026)

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.



Appendix 1

- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25										
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.35	3.35	3.35							
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.80	3.80	3.80						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.35	4.35	4.35						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.95	4.95	4.95						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.65	4.65	4.65							
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85



COTSWOLD
District Council

Appendix 1

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%



Appendix 2

Criteria Definitions

UK Government: Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to zero credit risk due to Government's ability to create additional currently and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities: Loans to, and bonds and bills issued or guaranteed by other 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.

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, secured deposits 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



Appendix 2

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, including exchange traded funds, which 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 can be either withdrawn after a notice period or sold on an exchange, are available for withdrawal after a notice period or sold on an exchange, 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 unsecured loans to companies and universities. 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.



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District Council

Appendix 2

Policy Investments: The Council will provide cash flow for third party organisations linked to the Council. The following limit is set for 2026/27

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

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ANNEX H

STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

1. INTRODUCTION

- 1.1** To support local authorities to deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform.
- 1.2** Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or improvements to existing assets.
- 1.3** The Ministry of Housing, Communities and Local Government (MHCLG) have issued an extension to a Direction and published guidance that enables Councils to use income from the sale of certain assets to fund the short-term revenue costs that support Transformation, Invest-to-save and efficiency projects in order to provide revenue savings in the future.
- 1.4** 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.
- 1.5** This strategy sets out the intended use of this flexibility and applies to the financial year 2026/27 and for each subsequent financial year to which the flexible use of capital receipts direction applies (currently 2029/30 is the last year). The Strategy will be updated as part of the annual budget process in subsequent years.

2. BACKGROUND

- 2.1** Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003.



ANNEX H

STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

- 2.2** The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.
- 2.3** The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, initially up until 2018/19. This allowed local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016.
- 2.4** Qualifying expenditure was defined as: "Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."
- 2.5** There have been number of extensions to the scheme since 2018/19 and on 18 December 2023 it was confirmed as part of the Provisional Local Government Settlement that the current scheme, which currently applies to expenditure and receipts incurred between 1 April 2022 and 31 March 2025, had been extended to 31 March 2030.
- 2.6** Therefore, to make use of capital receipts flexibilities, any qualifying revenue expenditure incurred between 1 April 2024 and 31 March 2030 can be considered.

3. FLEXIBLE CAPITAL RECEIPTS STRATEGY

- 3.1** 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.



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STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

- 3.2** Only receipts from the disposal of capital assets received between 01 April 2024 and 31 March 2030 are eligible for use to fund the qualifying costs of service reform. A balance of £4.710m is held within the Capital Receipts Reserve at 31 March 2025. Capital Receipts of £0.500m are anticipated to be received in the current financial year. A decision on whether to allocate for Flexible Use of Capital Receipts will be taken once the capital financing outturn position is known in July 2026.
- 3.3** The 2026/27 Revenue Budget and MTFS report highlights a growing budget gap from 2027/28. The Council will need to develop and accelerate its Savings and Transformation Programme to address the budget gap identified.
- 3.4** A consideration of the savings and transformation programme should be the approach to costs (including one off costs) associated with supporting the delivery of these transformation savings. Whilst the Council does have capital receipts, these are utilised in support of capital expenditure and are reducing. Further receipts should be anticipated over the MTFS period. Therefore, this strategy proposes that subject to strict criteria and an assessment by the Council Section 151 Officer, a proportion of the costs are funded from a proportion of capital receipts the council holds and intends to obtain during the financial year.

3.5 To achieve this, the use of capital receipts to support activity could include funding the costs associated with service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service



ANNEX H

STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

transformation that will be required throughout 2026/27 and over the MTFS period. The table above provides a template for how projects that are considered as eligible for flexible capital receipt funding would be identified, monitored and reported.

- 3.6** Service reform projects can still be financed in whole or in part from other resources e.g., Earmarked reserves. The Council is not obliged to fund these projects from capital receipts, however, on the approval of this strategy, it will have the option to do so.
- 3.7** The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy.

4. MONITORING OF THE STRATEGY

- 4.1** 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.



ANNEX I

2026/27 BUDGET CONSULTATIONS RESULTS

BUDGET CONSULTATION 2026-27

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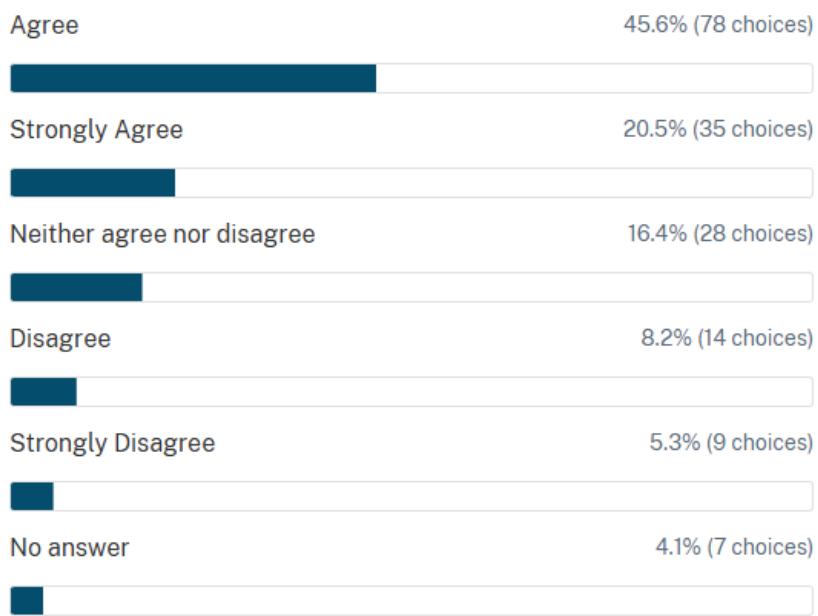
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2026/27 BUDGET CONSULTATIONS RESULTS

Question 1: plan to protect services/balancing budget and preparing for reorganisation

Key figures

- 66.1% agree/strongly agree
- 16.4% neither agree nor disagree
- 13.5% disagree/strongly disagree



Question 2: Council Tax

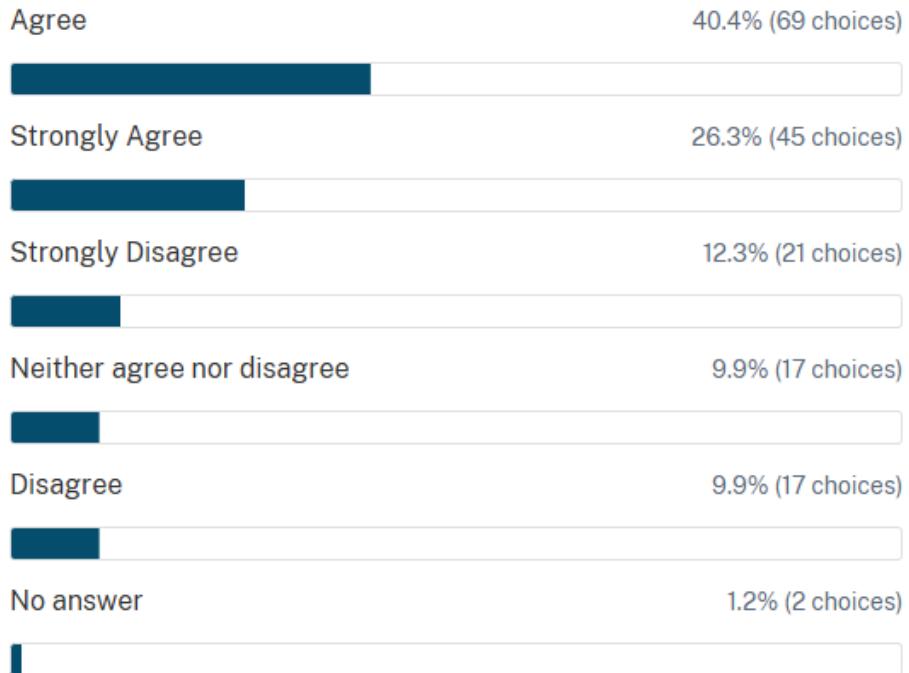
Key figures

- 66.7% agree/strongly agree
- 22.2% disagree/strongly disagree



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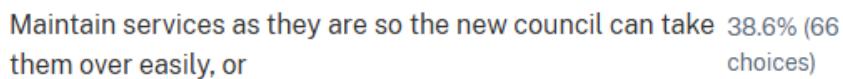
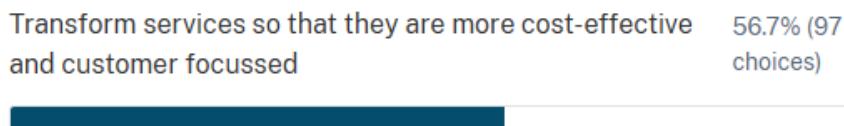
2026/27 BUDGET CONSULTATIONS RESULTS



Question 3: service delivery and approach ahead of LGR

Key figures

- 56.7% transform
- 38.6% transform





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2026/27 BUDGET CONSULTATIONS RESULTS

Question 4: project delivery

Key figures

- 65.5% capital projects only
- 30.4% consider further investment

Only deliver capital projects that are necessary and within the current capacity and finances of the Council 65.5% (112 choices)



Consider further investment in capital projects to deliver benefit to Cotswold residents, or 30.4% (52 choices)



No answer 4.1% (7 choices)



Question 5: comments on spending for next 2 years

Key themes:

1. Roads, safety & infrastructure

Despite this not being a responsibility of CDC, many respondents reference poor road conditions, potholes, quality of repairs, embarrassment about road conditions, and the need for better maintenance methods.

Respondents also commented on the dangers of speeding in the area.

Includes comments about:

- Prioritising road repairs
- Poor workmanship or outdated methods
- Damage to vehicles
- Desire for rapid response to reported potholes
- Infrastructure support for communities

Total responses relating to the above: 6



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2026/27 BUDGET CONSULTATIONS RESULTS

2. Value for money

Comments reflected on pressure facing CDC financially and the choices made. However, some respondents suggested the survey was not an effective means of collecting data, requesting full financial information and breakdown.

Includes comments about:

- Lack of detail on costs and alternatives
- Pension increases not covering tax rises
- Requests to restrict pay rises
- Calls for council tax increases on second homes
- Concerns about wasteful spending
- Worry about burdening a future unitary authority

Total responses relating to the above: 5

3. Local Government Reorganisation (LGR) and representation

Several responses express strong opinions about governance models, councillor standards, or abolition/retention of councils.

Includes comments about:

- Abolishing Tetbury Town Council
- Concern about CDC being abolished
- Doubts that "bigger is better"
- Desire for councillors with higher standards/knowledge
- Whether current councils should only make changes aligned with unification
- Ensuring CDC protects district interests before unification

Total responses relating to the above: 6

4. Climate views

Mixed responses: some strongly reject climate emergency positioning; others want the council to stay green.

Includes comments about:

- Claims climate emergency is a "deception"
- Saying climate is not the council's job



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2026/27 BUDGET CONSULTATIONS RESULTS

- Calls to "stay green"
- Protecting greenfield sites and using brownfield first

Total responses relating to the above: 3

5. Housing, planning and development

Several responses relate to planning policy and community needs.

Includes comments about:

- Support for "right housing" and affordable/social homes
- Restricting second homes, Airbnb and holiday homes
- Delivering the Local Plan on time and to budget
- Prioritising rural areas and access to services
- Praise for rural engagement work

Total responses relating to the above: 5

6. Local services

A theme around maintaining or improving the quality of everyday services and place-based outcomes.

Includes:

- Keeping towns flourishing
- Protecting landscape and historic environment
- Keeping good green spaces
- Leisure centre appreciation
- Supporting local business through parking incentives

Total responses relating to the above: 4

Question 6: general comments

1. Finance and budget discipline

Criticisms of spending and budget discipline.

- Spending is "too high"; must cut costs significantly.
- Reduce waste, avoid unnecessary projects, stick to core remit.



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2026/27 BUDGET CONSULTATIONS RESULTS

- Stronger VFM checks, proper design sign-off and contractor supervision.
- "Live within your means" — the council should budget like residents.
- Concerns about uncontrolled spending and "woke/politicised" expenditure.
- Calls for major efficiencies across all services.
- Keep capital projects to a minimum.

Total responses relating to the above: 10

2. Governance and LGR

There are a mix of concerns regarding LGR – namely, what this means for residents, but also the benefits of doing so (maximising savings).

There were also comments about governance and councillor behaviours.

- Opposition to abolishing CDC; preference to retain local governance.
- Calls for unitary transition to maximise savings.
- Accusations of mistrust and concerns about councillor behaviour/ethics.
- Requests to freeze or reduce councillor allowances.
- Feeling that investment unfairly favours Cirencester over other towns (e.g., Tetbury).
- Desire for more decisions and assets held locally (town councils).
- Want more councillors involved in shaping services.

Total responses relating to the above: 10

3. Transparency and public reporting

Comments reflected difficulty to make informed decision on consultation with lack of detailed financial information. Comments suggested a regular report on expenditure – although these can be found on our website.

- Need more financial information to comment meaningfully.
- Requests for past and projected income/expenditure.
- Publish six-monthly, simplified reports on spending and service results.
- Perception that the council plan lacks detail and financial clarity.
- Calls for transparency around performance, budgets and capital projects.

Total responses relating to the above: 9



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2026/27 BUDGET CONSULTATIONS RESULTS

4. Roads and infrastructure

Similar comments to the former section: improving potholes, infrastructure for housing developments, opposing restrictions on traffic measures, plus a call for more traffic wardens.

Total responses relating to the above: 8

5. Revenue

Comments reflected on tax, parking and chargeable amenities as a way to raise funds and control overtourism.

- Strong opposition to parking fee increases — described as punitive.
- Reform council tax: reband properties when heavily rebuilt.
- Ensure visitors pay a fair share, not just residents.
- Explore a tourism levy.
- Chargeable services (e.g., toilets) should cover their costs.

Total responses relating to the above: 7

6. Praise for CDC

- Praise for CDC's overall performance, especially over long residency.
- Appreciation for support to low-income households.
- Bulk waste collection team commended.
- Some residents feel services offer good value for money.

Total responses relating to the above: 7