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COTSWOLD
District Council

Friday, 24 January 2025

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OVERVIEW AND SCRUTINY COMMITTEE

A meeting of the Overview and Scrutiny Committee will be held in the Council Chamber - Council Offices, Trinity Road, Cirencester, GL7 1PX on **Monday, 3 February 2025 at 4.00 pm.**

Rob Weaver
Chief Executive

To: Members of the Overview and Scrutiny Committee
(Councillors Gina Blomefield, Gary Selwyn, David Cunningham, Angus Jenkinson, Dilys Neill, Tony Slater, Lisa Spivey, Clare Turner, Michael Vann and Jon Wareing)

Recording of Proceedings – The law allows the public proceedings of Council, Cabinet, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know prior to the date of the meeting.

Cotswold District Council, Trinity Road, Cirencester, Gloucestershire, GL7 1PX
Tel: 01285 623000 www.cotswold.gov.uk

AGENDA

1. **Apologies**
To receive any apologies for absence.
The quorum for the Overview and Scrutiny Committee is 3 members.

2. **Substitute Members**
To note details of any substitution arrangements in place for the Meeting.

3. **Declarations of Interest**
To receive any declarations of interest from Members and Officers, relating to items to be considered at the meeting.

4. **Minutes** (Pages 5 - 12)
To approve the minutes of the Overview and Scrutiny Committee meeting held on 6 January 2025.

5. **Matters Arising from Minutes of the Previous Meeting** (Pages 13 - 14)
To consider actions outstanding from minutes of previous meetings.

6. **Chair's Announcements**
To receive any announcements from the Chair of the Overview and Scrutiny Committee.

7. **Public Questions**
A maximum of 15 minutes is allocated for an “open forum” of public questions at committee meetings. No person may ask more than two questions (including supplementary questions) and no more than two such questions may be asked on behalf of one organisation. The maximum length of oral questions or supplementary questions by the public will be two minutes. Questions must relate to the responsibilities of the Committee but questions in this section cannot relate to applications for determination at the meeting.

The response may take the form of:

a) A direct oral response (maximum length: 2 minutes);
b) Where the desired information is in a publication of the Council or other published work, a reference to that publication; or
c) Where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

8. **Member Questions**
A maximum period of fifteen minutes is allowed for Member questions. Questions must be directed to the Chair and must relate to the remit of the committee but may not relate to applications for determination at the meeting.

Questions will be asked in the order notice of them was received, except that the Chair may group together similar questions.

The deadline for submitting questions is 5.00pm on the working day before the day of the meeting unless the Chair agrees that the question relates to an urgent matter, in which case the deadline is 9.30am on the day of the meeting.

A member may submit no more than two questions. At the meeting the member may ask a supplementary question arising directly from the original question or the reply. The maximum length of a supplementary question is one minute.

The response to a question or supplementary question may take the form of:

a) A direct oral response (maximum length: 2 minutes);
b) Where the desired information is in a publication of the Council or other published work, a reference to that publication; or
c) Where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

9. **Report back on recommendations** (Pages 15 - 16)
For the Committee to note the Cabinet's response to any recommendations arising from the previous Overview and Scrutiny Committee meeting.

10. **Updates from Gloucestershire County Council Scrutiny Committees** (Pages 17 - 20)
<u>Purpose</u>
To receive any verbal updates on the work of external scrutiny bodies:

Gloucestershire Economic Growth Scrutiny Committee – Cllr Angus Jenkinson
Health Overview & Scrutiny Committee – Cllr Dilys Neill

11. **Work Plan and Forward Plan** (Pages 21 - 34)
For the Committee to note and review its work plan and to select Cabinet decisions for pre-decision scrutiny at future committee meetings.

12. **Update on Strategic Plan for North Cotswolds** (Pages 35 - 38)

Purpose

To update the Overview and Scrutiny Committee on emerging strategic growth proposals at Moreton-in-Marsh.

Recommendation

That the Overview and Scrutiny Committee notes the update on emerging strategic growth proposals at Moreton-in-Marsh and agrees any recommendations it wishes to submit to Cabinet.

13. **Budget 2025/26 and Medium Term Financial Strategy** (Pages 39 - 188)

Purpose

To present the Revenue Budget for 2025-26, Capital Programme and Medium-Term Financial Strategy for 2025-2026 to 2028-2029

Recommendation

That the Committee agrees any recommendations it wishes to submit to Cabinet on 6 February 2025.

Overview and Scrutiny Committee
06/January2025

COTSWOLD
District Council

Minutes of a meeting of Overview and Scrutiny Committee held on Monday, 6 January 2025

Members present:

Gina Blomefield	Gary Selwyn	
David Cunningham	Michael Vann	Lisa Spivey
Angus Jenkinson	Clare Turner	David Fowles
Dilys Neill	Jon Wareing	

Officers present:

Robert Weaver, Chief Executive
David Stanley, Deputy Chief Executive and Chief Finance Officer
Andrew Brown, Head of Democratic and Electoral Services
Alison Borrett, Senior Performance Analyst
Angela Claridge, Director of Governance and Development (Monitoring Officer)
Claire Locke, Interim Executive Director
Gemma Moreing, Business Information Lead
Nickie Mackenzie-Daste, Senior Democratic Services Officer

Olivia McGregor, Climate Change and Carbon Reduction Lead, joined the meeting remotely.

Cabinet Member present:

Councillor Mike McKeown

OS.122 Apologies

Apologies were received from Councillor Tony Slater.

OS.123 Substitute Members

Councillor David Fowles substituted for Councillor Tony Slater.

OS.124 Declarations of Interest

There were no declarations of interest.

OS.125 Minutes

Councillor Jenkinson suggested that the final bullet point on the waste rezoning item be expanded to read: "It was stated that the reporting process could be improved *by the use of quality management tools.*"

Councillor Cunningham proposed accepting the minutes as amended. Councillor Turner seconded this proposal.

RESOLVED: To APPROVE the minutes of the meeting held on 4 November 2024.

OS.126 Matters Arising from Minutes of the Previous Meeting

The Chair requested that details of training offered by Gloucestershire Domestic Abuse Support Service by be circulated to Members.

The Chair commented on the need for residents to be aware which recyclable items go in which recycling bin.

The Chair announced that an Overview and Scrutiny work planning meeting would be held before the next Committee meeting on 10 February 2025.

OS.127 Chair's Announcements

The Chair stated that it had been disappointing to find that the financial and service performance reports for quarter 2 had moved into December from January when there wasn't a scheduled Overview and Scrutiny Committee meeting in December. The reports were on the agenda and the Committee could still make comments or recommendations to Cabinet.

The Chair highlighted the need for Members to engage with Ubico. An all-Member briefing had been scheduled for 4 February 2025 and would be held on Teams.

The Chair drew the Committee's attention to the government's plans for local government reorganisation. The Chair commented that such changes would have significant implications for town and parish councils as well as district councils, and that the Council should seek to support town and parish councils through any changes.

Councillor Neill arrived during this agenda item.

OS.128 Public Questions

Councillor Jenkinson asked a question on behalf of residents of Moreton-in-Marsh about the status of the Moreton-in-Marsh Working Group and why it had not met.

The Interim Executive Director clarified that an item would be coming forwards to the next Overview and Scrutiny Committee meeting.

Councillor Cunningham requested a specific agenda item at the work planning meeting on the make-up of the Moreton-in-Marsh Working Group and for Forward Planning to provide a written response.

OS.129 Member Questions

There were no Member questions.

OS.130 Climate and Ecological Emergency

The report provided the Overview and Scrutiny Committee with an update on actions undertaken as part of the Council's Climate Programme.

Councillor Mike McKeown, Cabinet Member for Climate Change and Sustainability, introduced the report and highlighted the importance of the issue of climate change and the need for action. The Cabinet Member drew the Committee's attention to the key points as follows:

- The Council was aiming to reduce its carbon footprint by 80% by 2045.
- Solar panels had been installed at the Council's Trinity Road offices, saving costs and emissions.
- Ubico had been tasked with creating a decarbonisation programme for its fleet, which was a significant contributor to the Council's carbon footprint.
- The local plan provided an opportunity to instigate measures to improve climate emergency standards.
- Local households who have already installed solar panels would benefit from £450,000 of lifetime energy savings.
- The South West Net Zero Hub had provided funding for a retrofit home energy efficiency programme.
- Local electricity suppliers were working on a programme of grid upgrades to deal with additional demands on the grid.
- There were plans for a community energy solar farm.
- There was action taking place to reduce emissions across various sectors including farming, business and transport.

The Committee asked about the role of the retrofit officer and commented that there was a lack of understanding about the best approaches to retrofitting buildings, so education was important. The Cabinet Member explained that the aim was to retrofit c. 300 homes and that the officer had experience of delivering training and could give independent advice. The officer would have some level of engagement with social housing providers but their core focus would be on the public.

A Member commented that the jury remained out on electric vehicles and they arguably weren't the best solution in rural areas. The Cabinet Member responded that there were some concerns about orchestrated misinformation campaigns against electric vehicles and the Council was helping to myth-bust these. For the 35% of homes did not have off-street parking in the District the Council was installing EV chargers in car parks it owns.

In response to a question about government plans to subsidise solar panels, the Cabinet Member stated that solar was a good option for those who could afford it due to the reducing costs of installing solar. The warm homes plan provided funding for low-income households. There was a private members bill in parliament about making solar mandatory on new build properties.

In discussion the Committee also noted that:

- The Council would need to conduct energy audits prior to applying for grants from government, which could include support for solar.
- The Council was still awaiting a response from Brewery Arts about proposals to install solar on their premises.
- A primary focus of the Sustainable Transport Officer would be to add their input into the local plan.
- The Council was speaking to services about embedding climate implications in everything they do. The Council was limited in terms of its resources and needed to prioritise effectively in order to make the greatest possible impact.
- Funding for new charging points was coming from the government and the Council, split evenly. The user charges would cover the revenue costs and make a contribution to capital costs over time.
- External funding for retrofit was from the South West Net Zero Hub.
- A new online tool would help people navigate the decision process as to whether retrofit would benefit them. Low income households could access support through Warm and Well.
- At this stage the new National Planning Policy Framework did not do much to improve climate energy efficiency standards. The Future Homes Standard remained out to consultation and progress on this had been slow.
- There was a need to balance heritage considerations and the ability for people to afford to upgrade their homes.
- There was no data on how many EV charge point users were local and how many were visitors.
- There were longer term plans to spread EV infrastructure far and wide but the Council had started with the easiest sites, which where those it owned.
- There would be a lag between new EV infrastructure being installed and people making decisions to purchase electric vehicles.
- A cut to VAT on EV charging would be welcome.
- Any help the Council could provide to assist town and parish councils to install EV chargers would be welcome.

The Committee commended the work of the Cabinet Member and officers and thanked them for the report.

The Committee resolved to submit the following recommendation to Cabinet:

1. That the Council ensures that it has processes in place for testing and developing the value of the work it is undertaking on the climate and ecological emergency with a view to providing positive ongoing investment in this field.

OS.131 Publica Transition Update

The Chief Executive Officer provided a presentation on the Publica Transition, explaining that there had been an intense period of reviewing services and a number of teams were now directly employed by the Council.

In terms of lessons learnt from the Phase 1 transfer of staff, the Chief Executive stated that in hindsight it would have been helpful to have had a dedicated Council-side communications function to get the messages just right. The difficulty of building a financial model for the costs of individual services provided by Publica had also been underestimated.

The Chief Executive highlighted the governance arrangements and the positive role of the Officer Transition Board. The Programme Board comprised the chief executives of the partner councils plus the Programme Director. As part of Phase 2 there was a need to continually improve the functioning of the governance model, which had generally worked well.

The Chief Executive Officer stated that Phase 1 had been delivered under budget with only minor slippage in the timetable and that staff retention had remained good.

A report setting out the detailed transition plan for Phase 2 would come forward to members in March with an implementation date of July 2025. Property, Programme Management and Waste and Recycling were considered to be critical services for inclusion in Phase 2.

The implications of the government White Paper on devolution would need to be considered and may have impacts for the timing of the repatriation of other services remaining in Publica post-Phase 2.

The Committee considered the implications of local government reorganisation for the programme and questioned whether a cost-benefit analysis of Phase 2 was being undertaken. The Chief Executive agreed that reorganisation was a matter of time and that there was a need to ensure that work undertaken now would not be unpicked in future. Phase 2 remained important, especially in terms of managing the relationship with Ubico, project management, and property but it was unlikely that Phase 2 would extend beyond these three key areas.

In response to a question about whether staff were keen to transfer to the Council, the Chief Executive reiterated that it was important to not create an "us and them" culture.

In discussion the Committee noted that:

- Gloucestershire and Oxfordshire were unlikely to look to each other either for forming unitary authorities or combined authorities. The sharing of services with West Oxfordshire District Council would become defunct in a couple of years' time.
- Staff included in Phase 1 had had the opportunity to take part in focus groups and a welcome session had been well received. The Council was also working on its emerging People Strategy.
- A small minority of roles included in Phase 1 were shared roles that could not be split and those roles had been advertised internally.
- The Chief Executive felt that Phase 1 had led to a new relationship with staff as he no longer had to go through the Publica Executive and could communicate directly.
- There was no wish amongst the shareholders or the Publica Board for Publica to trade commercially so this option had not been progressed.
- An example of Phase 1 leading to better working methods was the planning case management system, which could now be made to work specifically for the Council, leading to improved automation.

The Committee thanked the Chief Executive Officer for the presentation.

OS.132 Financial Performance Report 2024-25 Quarter Two and Update Report

The Deputy Chief Executive Officer provided an overview of the Financial Performance Report for 2024/25 Quarter 2 and summarised the key points as follows:

- The projected year-end surplus was lower at Quarter 2 than it had been at Quarter 1 but there was still a chance to achieve the budgeted surplus of £0.5m due to the reduced pressure on pay following the pay award.
- The Quarter 2 report took into account the higher than previously expected interest rates, which would bring in additional investment income.
- The income shortfalls weren't material on their own but together added up.
- There was a capital programme underspend in the provision of affordable housing (capital loan to Cottsway), and support to Bromford. An overspend on Disabled Facility Grants had been removed as this had been funded.

The Committee questioned the net effect of the update report provided in relation to planning services. The Deputy Chief Executive stated that the initial Quarter 2 revenue variance of £250k had moved down to £220k. The net capital underspend had not changed materially.

In discussion the Committee also noted that:

- Recruitment costs were normally met from vacancy savings during the interim period so there was no recruitment budget. The £100k was additional expenditure to ensure that the Council had a robust planning service as quickly as possible. The Deputy Chief Executive Officer committed to providing a detailed breakdown of this spend.
- Two Communications posts had transferred to the Council in Phase 1 (£70k) but the Council had used an agency to provide ongoing support to ensure an adequate communications function. This had caused a £31k adverse variation but this number was expected to come down in next update.
- The Council had to use its resources responsibly and it was incumbent on the Deputy Chief Executive as the S151 Officer to ensure that the services passed over to any future unitary authority reflected the resources available.
- No provision had been made within the Medium Term Financial Strategy for the Phase 2 transfer of staff from Publica to the Council. There was a need to understand whether the cost of services would be higher outside of Publica and any additional cost would need to be justified.

The Deputy Chief Executive Officer presented the additional report on planning services. The report provided an update in view of recruitment to various posts. There was £120k of additional income on planning fees which was largely offsetting the additional costs of £150k over and above the budget. There was a need to understand the relationship between spend and income to inform service transformation. Recent appointments would put the service on a better footing and reduce the reliance on agency staff from 1 April 2025.

The Committee commented that planning services including planning enforcement were important functions that had been under pressure. The Committee noted concern about vacant posts and hoped that the situation would improve now that the service was delivered directly by the Council rather than through Publica.

OS.133 Service Performance Report 2024-25 Quarter Two

The Chief Executive Officer introduced the Service Performance Report for 2024/25 Quarter Two and highlighted the progress the Council had made in delivering its priorities, as shown by a number of positive indicators across planning services, leisure and customer services. The Chief Executive also highlighted the indicators that were below target such as missed bin collections.

In discussion the Committee noted that:

- While the Council did not build homes, it did have a role in helping to support the delivery of affordable homes.

- There was no target for the number of complaints against the Council upheld by the Ombudsman.
- Cabinet had recently approved an Empty Property Strategy.
- The performance of the planning team in processing major and minor applications was to be commended.
- The Council's performance was benchmarked against CIFPA Nearest Neighbours; councils with similar demographics.

Cllr Spivey left the meeting during this agenda item.

As the length of the meeting had exceeded three hours the Chair announced that the remaining business would fall but that the work plan would be circulated to Members.

OS.134 Report back on recommendations

This item was not considered.

OS.135 Updates from Gloucestershire County Council Scrutiny Committees

This item was not considered.

OS.136 Work Plan and Forward Plan

This item was not considered.

The Meeting commenced at 4.00 pm and closed at 7.25 pm

Chair

(END)

COTSWOLD
District Council

Agenda item No and title	Minute	Action Owner	Cabinet Member	Progress of action:	Date Completed	Notes
Agenda Item 4 Minutes Arising from the Previous Meeting	Request to Angela Claridge to circulate details of the training offered by Gloucestershire Domestic Abuse Support Service to members	Angela Claridge	Claire Bloomer	Complete	23/01/2025 by email	Link circulated by email to members https://www.gdass.org.uk/
Agenda Item 7 Public Question	Request re Moreton in Marsh Development Area 1. request that O&S continue to monitor developments in the plan.	Claire Locke	Juliet Layton	Complete		CL confirmed that an updated strategic plan for the Cotswolds would be available in February 2025
Agenda item 7 Public Question 2	Request re Moreton-in-Marsh development area 2. can Forward Planning team please give a response as to the make up of the M-I-M working group	Matthew Britton/ Joanne Corbett	Juliet Layton	Complete		Please see the proposed Terms of Reference for the Moreton-in-Marsh Working Group, which includes this detail. The Terms of Reference can be accessed in the reports pack for the 22/01/2025 Full Council meeting. Please note, the Forward Planning team name has changed to Planning Policy & Infrastructure
Agenda Item 9 Climate and Ecological Emergency	Cabinet response to the following recommendation required: That the Council ensures that it has processes in place for testing and developing the value of the work it is undertaking on the climate and ecological emergency with a view to providing positive ongoing investment in this field.	Olivia McGregor	Mike McKeown	Complete		Recommendation from Cabinet minutes: That the Council ensures that it has processes in place for testing and developing the value of the work it is undertaking on the climate and ecological emergency with a view to providing positive ongoing investment in this field
Agenda Item 12 Service Performance Report 2024-25 Quarter Two	Request to add some relevant benchmarking for complaints received.	Alison Borrett	Mike Evemy	Complete		"Currently, there is no available benchmarking data on the number of complaints received by other councils during the quarter. The closest comparable metric is the information reported on the number of complaints received by the Ombudsman, the decisions made on these cases, and the Council's compliance with any recommendations issued by the Ombudsman. Complaints received by the Ombudsman typically reflect situations where customers, after exhausting the Council's
Agenda Item 12 Service Performance Report 2024-25 Quarter Two	Request to Angela Claridge to circulate the Audit & Governance annual report re complaints concerning Town & Parish conduct	Angela Claridge	Tristan Wilkinson	Complete		Circulated during the meeting.
Agenda Item 12 Service Performance Report 2024-25 Quarter Two	Request for detail around the public perception of performance of Building Control Services to be added to the report for next quarter. RW to pick up with Building control services re getting a better level of response	Robert Weaver	Tristan Wilkinson	Complete		Over the years, we've tried various methods to gather customer feedback: • Started with paper feedback forms and stamped addressed envelopes, but stopped due to high costs. • Moved to SurveyMonkey links issued with completion certificates, but responses were minimal. • Followed up with applicants via tech support to assist with the survey, but this proved too time-consuming and was discontinued. Currently: • Feedback is addressed individually, but it's infrequent. • Low-level complaints (few in number) and compliments (slightly more but still limited) are recorded. We are currently investigating the use of a simple form of the Survey Monkey issued with the completion certificate, but designed so that the customer can see all of the questions upfront and can appreciate how little time is required to

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COTSWOLD
DISTRICT COUNCIL

Proposed Cabinet response to recommendations from the Overview and Scrutiny Committee on the Climate and Ecological Emergency

Recommendation arising from the Overview and Scrutiny Committee meeting held on 6 January 2025.

Context

The Committee considered a report it had commissioned from the Council's Climate Change & Carbon Reduction Lead on work being undertaken to address the climate and ecological emergency. The Committee recognised that work in this field is important and in principle endorses the continued support of it

Recommendation	Agree (Y / N)	Comment	Responsible Cabinet Member	Lead Officer
1. That the Council ensures that it has processes in place for testing and developing the value of the work it is undertaking on the climate and ecological emergency with a view to providing positive ongoing investment in this field.	Y	The council has adopted governance and decision-making processes that give significant priority to climate change. All reports prepared for decision-making purposes now include a mandatory section on the implications for the Climate and Ecological Emergencies. Additionally, the council is trialling a	Cabinet Member for Climate Change and Sustainability	Climate Change & Carbon Reduction Lead

		Sustainability Impact Assessment Tool, designed to ensure that sustainability considerations are reviewed at key stages of projects including the design stage when beneficial changes can still be made. The tool ensures for example: the carbon implications of building/operating new buildings is assessed; opportunities to mitigate negative impacts by design is identified; facilities and access to sustainable transport is provided; and ecological enhancement in site landscaping is maximised.		

GESSC Report January 2024

Cllr Angus Jenkinson

This will focus on the most salient points.

Well the agenda was slim, some significant discussion took place. Representatives from the districts are generally united in making positive recommendations for change.

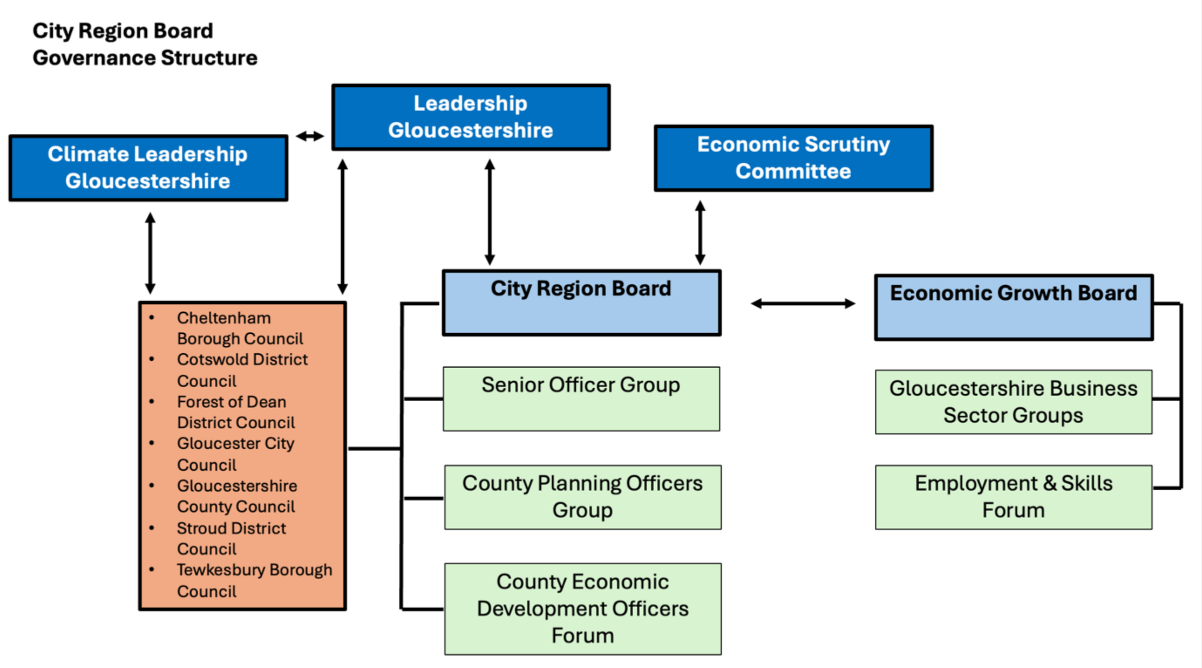
There had been another gap and cancelled meeting following the general election. The last meeting was in September.

1) Minutes and Actions

Questions arose in response to the minutes and actions (which are now being monitored and reported on.)

i. Action: To confirm whether the terms of reference need amending to include a reference to the {whole of Gloucestershire] Economic Strategy. We were assured that CRB is a Whitehall name because it considers Gloucestershire to be a City. That produced a hoot and "scream" — it suggests lack of comprehension. There had also been an opaque understanding of how the various bodies related, partially clarified on further examination, but further clarity has been requested. The diagram below has since been sent and will need consideration.

ii. City Region Board Governance Structure



iii. There was a question about the benefits of merging the economic and environment committees given how often they crossover but the conclusion was that having a core focus in each was a good thing. I don't yet know how we (CDC) participate in the Environment Scrutiny committee.

i. Minutes and discussion confirmed some aspects of the *Local Growth Plan Update and Review of Stakeholder Engagement Process in the Creation of the Gloucestershire County Council Economic Strategy.* The City Region Board agreed in September to endorse the expression of interest in a devolution deal from the Ministry of Housing, Communities and Local Government's (MHCLG). They had also agreed to note the GCC Economic Strategy and approved its use to inform the priorities of the City Region Board. The county strategy was shared with districts in March 24. Authority was delegated to the chief executive. It has not yet been approved by all of the districts. As the economic strategy has not yet been approved by all of the districts, there are elements that cannot be commented on. This includes the resilience focus and mass transportation.

iv. The county is now working on a growth strategy. It had a consultation event in November with a total 118 participants from three locations. Groups not represented included education, healthcare, rural, and young! The focus was therefore an established business.

v. **The following action has been completed:** To include agricultural technique as well as agricultural technology in the annual performance report, including a case study of the Cotswold to highlight agricultural technique in Gloucestershire. There was an agreement to form a group within the county officers to focus on agritechnique, alongside Agri tech, which they do in partnership with the vice chair of Hartpury University.

2) Review of the current THE STRATEGIC ECONOMIC DEVELOPMENT FUND (SEDF) bid process, in particular how social value, climate & ecology, EDI etc

i. The Gloucestershire Business Rates Pool (GBRP) was originally set up to maximise the business rates income retained within the county by implementing a 50% rates retention system. The resulting Strategic Economic Development Fund (SEDF) is allocated through a bidding process to support economic growth activity across Gloucestershire. It is focused growth.

ii. The fund has a limited life given it is or shortly will no longer be topped up.

iii. The scrutiny committee recommended that the current focus on growth that could be quantified simply in economic terms should be widened. A broader set of economic ecosystem benefits should be included. The value of volunteers and their NGO organisations to the county economy was emphasized, including for example Cotswold Friends. It was recommended that ways of assessing this should be developed, with a fund created, and that the importance of these aspects in the totality of economic well-being should be included. [See you also the next topic.]

3) GLOUCESTERSHIRE ECONOMIC EVIDENCE BASE

i. The interest and limitations of this database and the reports presented from it was indicated in the previous report following September 2024. The data presented is from 2022 and its granularity is limited. For example it reports that the dominant economic element of the Cotswold District is Insurance and Finance but cannot list companies. (None of the strategic companies in the district is in the sector.)
ii. On the various economic indicators, the Cotswold District normally does best. However job growth has declined (2022 data).
iii. The committee challenged this reporting as a mere collection of data points without strategic usefulness. The data was not related to economic policy nor economic policy to the data. How such data could be used was then discussed. As an example, housebuilding should be related to work opportunities. The need of people for employment and the need of employers for employees should be an important aspect of spatial planning.
iv. It should focus on strategic issues, such as strategic development sites.
v. The reporting cannot easily deal with such facts as: 43% of those employed living in the Forest of Dean work outside the district. Therefore reporting on the economic base of the district doesn't take notice of why it is a desirable place to live but not to work. That would be important for any economic development plan. It is relevant to the consideration of economic ecosystem benefits.
vi. The committee recommended that county should inform government on the need for an empirical base for current planning and development, given that this is now a priority of the government.
vii. It also recommended a strategic review of data and policy priorities in combination.
viii. Would you like a copy of this report? It is available on the public reports site. The database is also accessible.

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COTSWOLD
District Council

OVERVIEW AND SCRUTINY COMMITTEE WORK PLAN
25 JANUARY 2025 – 30 APRIL 2025

Overview and Scrutiny Committee

The Council currently operates the Strong Leader and Cabinet form of governance. The Council has appointed one Overview and Scrutiny Committee which has the power to investigate Cabinet decisions and any other matters relevant to the district and its people, making recommendations to the Council, Cabinet or any other Committee or Sub-Committee of the Council. Scrutiny has an important role in holding the Cabinet to account and in contributing to policy development. The Council has agreed an Executive Scrutiny Protocol to guide how Cabinet and the Overview and Scrutiny Committee will interact with each other.

The Overview and Scrutiny Committee operates a work plan which is agreed annually but provides for flexibility to enable the Committee to respond to emerging issues or priorities. The work plan will include a mix of Cabinet reports that have been selected for pre-decision scrutiny, and reports on other Council services, topics or issues which have been specifically commissioned by the Overview and Scrutiny Committee.

In setting and reviewing its work plan, Scrutiny will be mindful of the constraints of the organisation and will take advice from officers on prioritisation, which may be informed by the following considerations (TOPIC criteria):

Timeliness: Is it timely to consider this issue?

Organisational priority: Is it a Council priority?

Public Interest: Is it of significant public interest?

Influence: Can Scrutiny have meaningful influence?

Cost: Does it involve a high level of expenditure, income or savings?

Call in

The Overview and Scrutiny Committee will consider any “call-in” of a decision that has been made but not yet implemented. This enables the Committee to consider whether the decision made is appropriate given all relevant information (but not because it would have made a different decision). It may recommend that the Cabinet, a Portfolio Holder or the Council should reconsider the decision. (It should be noted that Cabinet does not have to change its decision following the recommendation of the Overview and Scrutiny Committee).

Item	Cabinet Member	Lead Officer
Monday 3 February 2025		
Update on Strategic Plan for North Cotswolds	Leader of the Council - Cllr Joe Harris	Matthew Britton, Interim Forward Planning Lead matthew.britton@cotswold.gov.uk
Budget 2025/26 and Medium Term Financial Strategy	Deputy Leader and Cabinet Member for Finance and Transformation - Cllr Mike Evemy	David Stanley, Deputy Chief Executive and Chief Finance Officer David.Stanley@cotswold.gov.uk
Monday 3 March 2025		
Publica Transition Plan - Phase 2 To consider the transition plan for the Phase 2 transfer of services.	Leader of the Council - Cllr Joe Harris	Robert Weaver, Chief Executive robert.weaver@cotswold.gov.uk
Public Conveniences Update on Changes	Deputy Leader - Cabinet Member for Finance - Cllr Mike Evemy	Maria Wheatley, Shared Parking Manager maria.wheatley@cotswold.gov.uk
Service Performance Report 2024-25 Quarter Three	Leader of the Council - Cllr Joe Harris	Alison Borrett, Senior Performance Analyst Alison.Borrett@publicagroup.uk

Monday 31 March 2025		
Financial Performance Report 2024-25 Quarter Three	Deputy Leader and Cabinet Member for Finance and Transformation - Cllr Mike Evemy	Michelle Burge, Chief Accountant michelle.burge@publicagroup.uk
Tuesday 6 May 2025		
Asset Management Strategy	Deputy Leader - Cabinet Member for Finance - Cllr Mike Evemy	Claire Locke, Interim Executive Director Claire.Locke@publicagroup.uk

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COTSWOLD District Council	**EXECUTIVE FORWARD PLAN** **INCORPORATING NOTICE OF DECISIONS PROPOSED TO BE TAKEN IN PRIVATE SESSION AND NOTICE OF INTENTION TO MAKE A KEY DECISION**

The Forward Plan

By virtue of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, local authorities are required to publish a notice setting out the key executive decisions that will be taken at least 28 days before such decisions are to be taken. The Regulations also require notice to be given of any matter where it is proposed that the public will be excluded during consideration of the matter.

This Forward Plan incorporates both of these requirements. In the interests of transparency, it also aims to include details of those items to be debated by the Cabinet that relate to either policy/budget formulation, matters which will be subject to a recommendation to the Council, and other matters due to be considered by the Cabinet. This programme covers a period of four months, and will be updated on a monthly basis. The timings of items may be subject to change.

It should be noted that although a date not less than 28 clear days after the date of the notice is given in each case, it is possible that matters may be rescheduled to a date which is different from that given provided, in the cases of key decisions and matters to be considered in private, that the 28 day notice has been given. In this regard, please note that agendas and reports for Meetings of the Cabinet are made available on the Council's Web Site – five working days in advance of the Meeting in question. Please also note that the agendas for Meetings of the Cabinet will also incorporate a necessary further notice which is required to be given in relation to matters likely to be considered with the public excluded.

There are circumstances where a key decision can be taken, or a matter may be considered in private, even though the 28 clear days' notice has not been given. If that happens, notice of the matter and the reasons will be published on the Council's Web Site, and available from the Council Offices, Trinity Road, Cirencester, Glos. GL7 1PX.

Key Decisions

The Regulations define a key decision as an executive decision which is likely –

(a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or

(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the authority.

In financial terms, the Council has decided that a key decision is any executive decision which requires a budget expenditure of £150,000 or more, or one which generates savings of £150,000 or more.

A key decision may only be made in accordance with the Cabinet Procedure Rules contained within the Council's Constitution.

Matters To Be Considered in Private

The great majority of matters considered by the Council's Cabinet are considered in 'open session' when the public have the right to attend.

However, some matters are considered with the public excluded. The public may only be excluded if a resolution is passed to exclude them. The grounds for exclusion are limited to situations where confidential or exempt information may be disclosed to the public if present and, in most cases involving exempt information, where in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The definitions of these are set out in the Council's Constitution.

Documents and Queries

Formal reports presented relating to any executive decision will be available on the Council's Web Site at least five working days in advance of the Meeting at which the decision is to be made (except insofar as they contain confidential and/or exempt information.

The Decision Notice for each key decision will be published as soon as reasonably practicable after it has been made. We will seek to do this within five working days of the date of the decision. The Decision Notice will be available for public inspection on the Council's Web Site, and at the Council Offices, Trinity Road, Cirencester, Glos. GL7 1PX.

If you have any questions about the Forward Plan, or if you wish to make representations about any of the matters contained within it, please contact the Council's Democratic Services Team. The Democratic Services Team can also, on request, provide copies of, or extracts from, documents listed in the Plan and any which subsequently become available (subject to any prohibition or restriction on their disclosure).

Contact Details:

Democratic Services, Cotswold District Council, Trinity Road, Cirencester, Gloucestershire GL7 1PX

E-mail: democratic@cotswold.gov.uk **Telephone:** 01285 623000 **Website:** www.cotswold.gov.uk

The Council's Executive Arrangements

The Council currently operates the Strong Leader and Cabinet form of governance.

By law, the Cabinet can comprise a Leader of the Council, together with up to nine other Members to be appointed by the Leader (one of whom has to be appointed as Deputy Leader). The Leader will be elected by the Council, for a four-year term; and the Deputy Leader appointment is also for a four-year term.

The Cabinet at Cotswold District Council currently comprises a Leader, a Deputy Leader, and six other Cabinet Members. The structure is as set out in the table below.

Executive decisions are taken either collectively by the Cabinet or individually by Cabinet Members.

The Cabinet generally meets monthly; whereas decision-making by individual Cabinet Members occurs on an 'as and when needed' basis.

Decisions of the Cabinet and individual Cabinet Members are subject to scrutiny by the Overview and Scrutiny Committee.

Joe Harris	Leader	Communications; Democratic Services; Executive functions and Corporate Plan delivery; Forward Planning and the Local Plan; Publica; Town and Parish Council liaison.
Mike Evemy (Deputy Leader)	Finance	Council transformation; Financial strategy and management; Grant funding and Crowdfund Cotswold; Property and Assets; Revenues and Benefits.
Mike McKeown	Climate Change and Sustainability	Climate and biodiversity emergency response; Community energy; Council sustainability; Energy efficiency programme; Sustainable transport.
Juliet Layton	Housing and Planning	Cotswold Lakes (formerly known as Cotswold Water Park); Development Management, Heritage and Conservation; Homelessness; Neighbourhood Planning; Regulatory Services – planning and building control; Strategic Housing.
Paul Hodgkinson	Health, Leisure and Visitor Experience	Community Safety Partnership; Culture; Leisure Centres; Museums; Parking Strategy and Operations; Public Health; Tourism.
Claire Bloomer	Communities	Cost of living support; Diversity, inclusion and young people; Domestic Abuse; Liaison with 3rd sector; Refugee and Asylum Response; Safeguarding.
Tristan Wilkinson	Economy and Environment	Economic Development; Flooding; Sewage; Street Cleaning; UBICO; Waste and Recycling.

Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer
6 February 2025 - Cabinet						
Review of Parking Charges and Season Tickets	No	Open	Cabinet	6 Feb 2025	Cabinet Member for Health, Culture and Visitor Experience - Cllr Paul Hodgkinson	Maria Wheatley, Shared Parking Manager maria.wheatley@cotswold.gov.uk
Budget 2025/26 and Medium Term Financial Strategy	Yes	Open	Cabinet Council	6 Feb 2025 26 Feb 2025	Deputy Leader and Cabinet Member for Finance and Transformation - Cllr Mike Evemy	David Stanley, Deputy Chief Executive and Chief Finance Officer David.Stanley@cotswold.gov.uk
UK Shared Prosperity Fund and Rural England Prosperity Fund update	Yes	Open	Cabinet	6 Feb 2025	Cabinet Member for Economy and Environment - Cllr Tristan Wilkinson	Paul James, Economic Development Lead paul.james@cotswold.gov.uk

Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer
26 February 2025 - Full Council						
Pay Policy Statement 2025	No	Open	Council	24 Feb 2025	Leader of the Council - Cllr Joe Harris	John Llewellyn, Head of Human Resources john.llewellyn@publicagroup.uk
6 March 2025 - Cabinet						
Green Economic Growth Strategy refresh - outcome of consultation	No	Open	Cabinet	6 Mar 2025	Cabinet Member for Economy and Environment - Cllr Tristan Wilkinson	Paul James, Economic Development Lead paul.james@cotswold.gov.uk
Publica Transition Plan - Phase 2	Yes	Open	Cabinet Council	6 Mar 2025 19 Mar 2025	Leader of the Council - Cllr Joe Harris	Robert Weaver, Chief Executive robert.weaver@cotswold.gov.uk Chief Executive Officer
Ubico Business Plan	No	Open	Cabinet	6 Mar 2025	Cabinet Member for	Simon Anthony,

Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer
2025-26					Economy and Environment - Cllr Tristan Wilkinson	Business Manager for Environmental Services Simon.Anthony@publicagroup.uk
Service Performance Report 2024-25 Quarter Three	No	Open	Cabinet	6 Mar 2025	Leader of the Council - Cllr Joe Harris	Alison Borrett, Senior Performance Analyst Alison.Borrett@publicagroup.uk
19 March 2025 - Full Council						
Community Governance Review - Upper Rissington	No	Open	Council	19 Mar 2025	Leader of the Council - Cllr Joe Harris	Sarah Dalby, Elections Manager sarah.dalby@cotswold.gov.uk
3 April 2025 - Cabinet						
Financial Performance Report 2024-25 Quarter Three	No	Open	Cabinet	3 Apr 2025	Deputy Leader and Cabinet Member for Finance and Transformation - Cllr Mike Evemy	Michelle Burge, Chief Accountant michelle.burge@publicagroup.uk

Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer
8 May 2025 - Cabinet						
21 May 2025 - Full Council						
Record of Attendance 2024/25	No	Open	Council	21 May 2025	Leader of the Council - Cllr Joe Harris	Andrew Brown, Head of Democratic and Electoral Services andrew.brown@cotswold.gov.uk
Outside Body Appointments 2025/26	No	Open	Council	21 May 2025	Leader of the Council - Cllr Joe Harris	Andrew Brown, Head of Democratic and Electoral Services andrew.brown@cotswold.gov.uk
Appointment of Committees 2025/26	No	Open	Council	21 May 2025	Leader of the Council - Cllr Joe Harris	Andrew Brown, Head of Democratic and Electoral Services andrew.brown@cotswold.gov.uk
Key decisions delegated to officers						
Decision on future	Yes	Fully	Cabinet	25 Jul 2024	Deputy Leader -	Claire Locke, Interim

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Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer
regeneration of The Old Station and Memorial Cottages, Cirencester		exempt Likely to contain commercially sensitive information	Council Deputy Chief Executive (Chief Finance Officer)	31 Jul 2024 Before 31 Dec 2025	Cabinet Member for Finance - Cllr Mike Evemy	Executive Director Claire.Locke@publicagroup.uk Deputy Chief Executive (Chief Finance Officer)
UK Shared Prosperity Fund and Rural England Prosperity Fund update	Yes	Open	Cabinet Chief Executive Officer	11 Jan 2024 6 Mar 2024	Cabinet Member for Economy and Council Transformation - Cllr Tony Dale	Paul James, Economic Development Lead paul.james@cotswold.gov.uk
Rural England Prosperity Fund	Yes	Open	Cabinet Chief Executive Officer	17 Jul 2023 19 Mar 2024	Cabinet Member for Economy and Council Transformation - Cllr Tony Dale	Paul James, Economic Development Lead paul.james@cotswold.gov.uk
Disposal of Property in Bourton on the Water	Yes	Open	Cabinet Deputy Chief Executive (Chief Finance Officer)	9 May 2024 Before 31 Dec 2025	Deputy Leader - Cabinet Member for Finance - Cllr Mike Evemy	Jasmine McWilliams, Estates Manager jasmine.mcwilliams@publicagroup.uk

Item for Decision	Key Decision (Yes / No)	Exemption Class	Decision Maker	Date of Decision	Cabinet Member	Lead Officer

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Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**OVERVIEW AND SCRUTINY – 3 FEBRUARY 2025**
Subject	**UPDATE ON STRATEGIC PLAN FOR NORTH COTSWOLDS**
Wards affected	Moreton East and Moreton West
Accountable member	Councillor Joe Harris Leader of Cotswold District Council and Portfolio Holder for Planning policy, infrastructure and the Local Plan Email: joe.harris@cotswold.gov.uk
Accountable officer	Adrian Harding – Interim Assistant Director of Planning Services Email: adrian.harding@cotswold.gov.uk
Report author	Matthew Britton – Interim Head of Planning Policy and Infrastructure Email: matthew.britton@cotswold.gov.uk
Summary/Purpose	To update the Overview and Scrutiny Committee on emerging strategic growth proposals at Moreton-in-Marsh
Annexes	None
Recommendation(s)	That the Overview and Scrutiny Committee notes the update on emerging strategic growth proposals at Moreton-in-Marsh
Corporate priorities	• Responding to the Climate Emergency • Delivering Housing • Supporting Communities • Supporting the Economy
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Assistant Director – Planning

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1. BACKGROUND

1.1 On 8 January 2024, the Overview and Scrutiny Committee considered a recommendation to undertake a Local Plan consultation, which included a proposal for around 1,500 new homes and other supporting development at Moreton-in-Marsh. At the same time, the Overview and Scrutiny Committee considered the formation of a Moreton-in-Marsh Working Group. This report updates the Overview and Scrutiny Committee on progress with the strategic growth proposals at Moreton-in-Marsh.

1.2 The key updates for the Overview and Scrutiny Committee in relation to meetings and actions for growth options in Moreton-in-Marsh are as follows:

i. A Local Plan consultation was held between 1 April 2024 and 7 April 2024.[1] Two consultation events were held in Moreton-in-Marsh, which were an all-day 'Drop in Session' on 6th March 2024 and a 'Question Time' event on 2nd April 2024. The Local Plan consultation responses and a summary of the feedback received are available to view the council's website.[2]

ii. Many responses were received to the Local Plan consultation. Since the consultation closed, council officers have been refining the draft Local Plan policies to take consideration of the feedback received and additional evidence that has been gathered since. This is in preparation for the next stage of public consultation on the draft Local Plan.

iii. The Local Plan consultation included a 'Call for Sites' to identify potential development land. The suitability of these sites is currently being assessed in an update to the council's Strategic Housing and Economic Land Availability Assessment.

iv. A study is underway, which is considering whether strategic growth in Moreton is feasible. This includes consideration of how and where key infrastructure will be delivered, phasing requirements, and the timing of delivery of development.

v. Sewage pollution in the River Evenlode was a key issue identified in the Local Plan consultation. A Sewage Summit was held on 8th July 2024, which brought

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[1] Cotswold District Local Plan Update Consultation Draft Policies: Tracked Changes; and Cotswold District Local Plan Update Consultation Vision, Objectives and Development Strategy Options Topic Paper

[2] https://www.cotswold.gov.uk/planning-and-building/planning-policy/evidence-base-and-monitoring/

together environmental activists, water companies and other agencies to delve into the underlying causes of sewage pollution and to explore effective and practical measures to stop it.

vi. A community event was held on 9th October 2024, which was run by Planning for Real. This gained further community feedback on issues and opportunities in Moreton-in-Marsh, as well as gathering suggestions for potential members of the Moreton Working Group, suggested alterations to the Working Group Terms of Reference, and suggested methods of engagement that the Working Group could use.

vii. A second Moreton-in-Marsh Community Event is scheduled to take place 12th February 2025. This will include feedback received from the 9th October 2024 Moreton-in-Marsh Community Event; an update on the Moreton-in-Marsh Working Group; and a presentation from Moreton-in-Marsh Town Council and GWR on the proposed Moreton-in-Marsh railway station development.

viii. Full Council voted to approve the Moreton-in-Marsh Working Group membership and Terms of Reference were approved by Full Council on 22nd January 2025. Following this, the inaugural Moreton-in-Marsh Working Group meeting is proposed to take place on 13th March 2025.

1.3 In summary, a number of steps have been taken in terms of consultation with local residents, businesses and stakeholders for the future growth of Moreton. Most recently, Full Council approved the constitution of a Working Group that will enable people in Moreton-in-Marsh to influence the location and form of development in the coming years. As part of this process, there will also be a feedback session on the Planning for Real event on 12th February 2025, which will feed into the work of the Working Group.

2. ALTERNATIVE OPTIONS

2.1 Not applicable.

3. FINANCIAL IMPLICATIONS

3.1 None.

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4. LEGAL IMPLICATIONS

4.1 None.

5. RISK ASSESSMENT

5.1 Not applicable.

6. EQUALITIES IMPACT

6.1 Not applicable.

7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

7.1 Delivering a Local Plan that is green to the core is a corporate priority in the Council's efforts to tackle the climate change and ecological emergencies and the consultation proposals may impact this.

8. BACKGROUND PAPERS

None

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Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**CABINET – 06 FEBRUARY 2025**
Subject	**2025/26 REVENUE BUDGET, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY**
Wards affected	All
Accountable member	Mike Evemy, Deputy Leader and Cabinet Member for Finance and Transformation Email: mike.evemy@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 2025/26, Capital Programme and Medium-Term Financial Strategy for 2025/26 to 2028/29
Annexes	Annex A – NOT INCLUDED (Section 25 Statement) Annex B – Medium Term Financial Strategy 2025/26 to 2028/29 Annex C – Budget Pressures and Savings Annex D – Capital Programme 2025/26 to 2028/29 Annex E – DRAFT Annual Capital Strategy 2025/26 Annex F – DRAFT Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2025/26 Annex G – NOT INCLUDED (Detailed Revenue Budgets 2025/26) Annex H – NOT INCLUDED (Strategy for the Flexible Use of Capital Receipts) Annex I – NOT INCLUDED (Budget Consultation Responses)
Recommendation(s)	Cabinet is requested to consider and approve for recommendation to Council: 1. the Medium-Term Financial Strategy set out in Annex B

	2. the Budget Pressures and Savings for inclusion in the budget, set out in Annex C 3. the Council Tax Requirement of £7,065,418 for this Council 4. the Council Tax level for Cotswold District Council purposes of £158.93 for a Band D property in 2025/26 (an increase of £5) 5. the Capital Programme, set out in Annex D 6. the Annual Capital Strategy 2025/26, as set out in Annex E 7. the Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2025/26, as set out in Annex F 8. the Strategy for the Flexible use of Capital Receipts, as set out in Annex H 9. the balances and reserves forecast for 2025/26 to 2028/29 as set out in Section 7 of the report. 10. Formally note the renewal of the CIVICA OpenRevenues 3-year software contract from 01 June 2025 with an annual fee of £0.106m (an increase of £0.031m over the previous annual contract value) Cabinet is recommended to approve delegation to the Council's Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Finance 11. To agree changes to the General Fund Summary arising from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.
Corporate priorities	• Delivering Good Services • Responding to the Climate Emergency • Delivering Housing • Supporting Communities • Supporting the Economy
Key Decision	YES
Exempt	NO

Consultees/ Consultation	The 2025/26 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 and February 2024 MTFS forecasts.** The indicative position outlined for 2025/26 through to 2027/28 was an unfunded budget gap of £4.697m (£10.487, 2025/26 to 2028/29), as reported to Council in February 2024. With the decision to return the majority of services from Publica to the Council (November 2023), without further mitigating action the unfunded budget gap can be expected to have increased over the last 12 months. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period.

1.3 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains uncertainty around inflation and interest rates in the current financial year which have an influence over the Council's budget for 2025/26 and the MTFS period both directly and indirectly.

1.4 The Government published their much-anticipated white paper on Local Government in December 2024 "English Devolution White Paper – Power and Partnership: Foundations for Growth". Local government reorganisation for two-tier areas (through the creation of Unitary Councils) forms a significant part of the Government's plans.

1.5 Several local authorities have issued section 114 notices since 2018 with Birmingham City Council Woking Borough Council, Slough Borough Council, and Thurrock Council. A section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year.

1.6 **Whilst there is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.**

1.7 Should the budget gap not be closed sufficiently, EFS cannot be ruled out in future years.

1.8 The level of uncertainty across the sector makes it more difficult to plan for the medium-term. As outlined earlier in the report, the white paper published in December 2024 proposes fundamental changes to the way local government is organised in two-tier areas. At the time of writing this report, the timetable for reorganisation is unclear; changes could take places as early as April 2027 or April 2028 but is dependent on a number of factors.

1.9 Local Government Finance reforms, originally due to be implemented from April 2020, are now planned from April 2026. The Government launched a consultation on "Local authority funding reform: objectives and principles" in December 2024. This sets out the government's proposed approach and should be viewed in the context of the white paper on devolution. The consultation closes on 12 February 2025.

1.10 The reforms will have a significant impact on the level of funding the Council receives from the Government. It is likely that resources (funding) will be directed towards high-need/low taxbase authorities from low-need/high taxbase authorities.

1.11 Furthermore, the resetting of the Business Rates Retention System, cessation of New Homes Bonus, and the interaction with the Devolution white paper would suggest that Shire District Councils such as Cotswold District Councils are likely to see significant reductions in their funding.

1.12 It is proposed that the Council increases Council Tax by the maximum permissible level and will increase Cotswold District Council's Band D rate by £5 (just under 10p per week) from £153.93 to £158.93.

1.13 The provisional settlement for 2025/26 was announced on 18 December 2024. As indicated in the policy statement, the settlement incorporated a number of reforms to local authority funding – largely around how new funding streams were distributed. Whilst previous finance settlements have be seen as a 'roll-over' from one year to the

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next, there are significant changes to funding streams for 2025/26. It is worth stressing that the settlement only covers the forthcoming financial year with no indication of future funding levels.

1.14 The provisional settlement confirmed the following.

- It is a single year settlement for 2025/26.
- Confirmation of the Council Tax referendum principle of 2.99% or £5 (whichever is higher) for shire districts and boroughs.
- New Homes Bonus scheme continues for a further year.
- **Rural Services Delivery Grant abolished**
- New Grant – Recovery Grant (£600m additional funding)
- New Grant – Children's Services Prevention Grant (£263m)
- Adult Social Care grant will increase by £880m
- Domestic Abuse Safe Accommodation Grant (£160m) now included in Core Spending Power (CSP).
- Protection of Core Spending Power (CSP) through the Minimum Funding Guarantee (MFG) but on a much-reduced basis. The threshold has reduced from 4% to 0% and includes the Government's assumptions of Band D Council Tax increases and taxbase growth. The percentage increase in CSP for Shire Districts was the lowest of all local authority classes at an average of 0.32% (a 4.75% decrease when Council Tax assumptions are removed)
- Continuation of the approach to eliminating negative RSG.
- Services Grant has been abolished.

Publica Review

1.15 The February 2024/25 MTFS did not include any budget provision for Phase 1, or any subsequent phase associated with the transfer of services from Publica to the Council. The 2025/26 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update report was considered by Cabinet at their meeting in November 2024. This provided members with an update on the financial aspects of transition.

1.16 It is important to note that the gross increase in cost of Phase 1, £0.984m in a full year (up from £0.937m), was net of cost reductions of £0.503m (reduced from (£0.522m) associated with changes made to the Publica management structure (giving the net cost estimate of £0.481m – up from £0.415m). Elements of the new posts (shown in the waterfall) could be considered as one-off changes to the Council's structure and matched by comparable reductions in the Publica contract sum. The associated cost reductions have been front-loaded and it is not anticipated that similar cost reductions would be realised in Phase 2.

1.17 It is essential that the Council takes every opportunity to make services as efficient and cost effective as possible and this will be an important element of the Transition Plan and approach to service design. Cost pressures must be minimised during the transition plan period to ensure service costs are contained within the financial envelope set out in the MTFS.

1.18 The MTFS has been prepared against the emerging position regarding the Phase 2 of Publica Transition. The broad assumptions for the purposes of the 2025/26 budget and over the medium term is that service costs will increase as a result of increased employer pension contributions and a reduced emphasis on sharing of services. The MTFS has made a broad assumption based on a limited number of services that are being considered for Phase 2. There remains uncertainty around future service transition due to Devolution/Local Government Reorganisation. Cabinet and Council will consider the Phase 2Transition Plan and the financial implications in March 2025.

1.19 At the time of preparing the 2025/26 Budget and MTFS, the nature and structure of service delivery for the Phase 2 services in scope had not been finalised. The latest available information indicated that the following services were forecast to increase in cost by between £0.230m and £0.300m in a full year.

- Property and Estates
- Leisure Management
- Waste & Recycling (contract management)
- Project and Programme support

1.20 Alongside the services transferring, a small number additional roles have been identified to support delivery of the Council's Savings and Transformation Programme, emerging values and Culture Strategy, and to support the Strategic Housing function.

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1.21 In order to minimise the ongoing cost to the Council, reserve and additional funding has been identified. The list below provides details of the additional posts, and the funding stream identified.

- Head of Learning and Organisation Development (Growth, Revenue Budget)
- Transformation Lead (Reserve funded)
- Transformation Support – Project Management (Reserve funded)
- Strategic Housing Support (Growth, funded from Council Tax Second Homes Premium)

Post	MTFS Provision per annum (£'000)
Head of Learning and Development	93
Transformation Lead	101
Transformation Support	73
Strategic Housing Support	62
	328
Funded by:	
Council Tax Second Homes Premium	(62)
Earmarked Reserve	(174)
Revenue Budget	(93)
	(328)

1.22 Cabinet and Council will consider the Phase 2 Transition Plan and the financial implications in March 2025 which will set out in detail timing and service and management structures. As with Phase 1, one-off costs associated with delivering Phase 2 are estimated at £0.300m and would be funded from one-off funding.

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

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Balanced Budget Requirement

1.24 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 2025/26 with a transfer of the projected surplus to the Financial Resilience reserve. However, there is a significant and increasing projected budget gap of £1.539m in 2026/27 and is forecast to increase to £4.829m in 2027/28 and £6.282m by 2028/29. This is an unmitigated position and assumes that there are no cost reductions or savings measures identified.

Table ES1 – Summary Medium Term Financial Forecast

MTFS Summary	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Net Service Revenue Expenditure	17,296	17,296	17,296	17,296
Corporate Items/Non Service Income & Expenditure	(927)	(232)	395	348
Transfers to/(from) earmarked reserves	(872)	(1,460)	(189)	(189)
Provision for Inflation	0	629	1,268	1,903
Service + Corporate Items	**15,497**	**16,233**	**18,769**	**19,357**
Budget Pressures	518	608	384	384
Technical Adjustments	0	0	0	0
Risk Items	0	0	0	0
Savings and Transformation Plan items	(325)	(1,306)	(1,517)	(1,732)
Draft Net Revenue Budget	**15,690**	**15,535**	**17,636**	**18,009**
TOTAL Funding	**(16,352)**	**(13,996)**	**(12,807)**	**(11,727)**
Budget Gap / (Surplus)	**(662)**	**1,539**	**4,829**	**6,282**

1.25 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Council Business 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.

1.26 The level of savings set out in the MTFS does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term and will be depleted during 2027/28. For clarity, the MTFS assumes that the cost of change associated with the Publica review is contained within the existing financial envelope. Given the increasing budget gap from 2026/27 it is not unreasonable to expect service reviews to contribute towards a balanced budget position over the MTFS period. At this stage, it is difficult to make a robust judgement as to the level and timing of cost reduction for services that will be transferred from Publica to the Council.

1.27 The Council will need to address the scale of the budget gap to ensure a balanced budget can continue to be set over the MTFS period. The position set out in this report is by no means complete and the budget gap may change due to assumptions being updated.

1.28 Local Government Reorganisation, as outlined earlier in the report in the English Devolution white paper, and the proposals for Local Government Finance reforms, will exert significant influence over the prospects for the Council's finances over the MTFS-period.

1.29 The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS

<u>Budget Pressures, Inflation and Risk</u>

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

Table ES2 – Pressures and Inflation

Item & Summary	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Budget Pressures				
Expenditure Pressures	360	360	360	360
Income Pressures	134	134	134	134
	494	**494**	**494**	**494**
Provision for Inflation & Contract Growth				
Contract Inflation	476	485	974	1,482
CDC Service (Pay Inflation)	140	144	293	421
Publica Transition - Phase 2	272	280	230	230
Additional Posts (Revenue budget impact)	93	93	93	93
	981	**1,001**	**1,590**	**2,225**
	1,475	**1,495**	**2,084**	**2,719**

Savings, Income and Cost reductions

1.31 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	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Third Party Contract Savings	(209)	(209)	(209)	(209)
Corporate Savings	(196)	(196)	(196)	(196)
Other Expenditure Savings	(118)	(118)	(118)	(118)
Corporate Income	(25)	(50)	(50)	(50)
Subtotal	**(548)**	**(573)**	**(573)**	**(573)**

Balances and Reserves

1.32 A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves considering the financial risks faced by the Council. The review has considered guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).

1.33 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.

1.34 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.

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

1.36 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

1.37 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.

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

1.39 A review of the Council Priorities Fund revenue reserve was undertaken as part of the 2024/25 budget setting process with the recommendation that this is allocated into separate reserves linked to the priorities outlined in the Council's Corporate Plan as indicated below:

- Delivering Good Services
- Responding to the Climate Emergency
- Delivering Housing
- Supporting Communities
- Supporting the Economy

1.40 It is recommended that the following reserves are maintained to support delivery of the Council Plan, the Publica Review outcomes, and the ongoing preparation of the Council's Local Plan:

- **Council Priority: Publica Review** reserve – the estimated unspent balance (estimated at £0.225m) to provide adequate funding for the Council's share of the costs arising during the Phase 2 of the Publica Transition.
- **Council Priority: Local Plan** reserve – a further £0.250m is allocated to the to ensure the next stages of the Local Plan preparation can be delivered following the update to the National Planning Policy Framework (NPPF) in December 2024. The Council has submitted an expression of interest to MHCLG for Delivery Funding of up to £0.250m. Should the Council be successful and receive an allocation, the level of reserve funding will be reviewed. It is anticipated that local authorities will be notified of outcome in February 2025.
- **Council Priority: Climate Emergency** reserve is maintained at £0.250m
- **Council Priority: Housing Delivery** reserve is maintained at £0.500m
- **Council Priority: Regeneration/Infrastructure** reserve is maintained at £0.200m with a commitment of up to £0.070m regarding feasibility studies agreed by Cabinet in December 2024. The reserve is held to provide funding for

feasibility studies and due diligence around the emerging Cirencester Town Centre Masterplan including support for the Council's Car Park Strategy.

- **Council Priority: Transformation and Change** reserve is increased from £0.200m to £0.318m to provide funding for savings and transformation support, projects and invest to save initiatives.

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

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

- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
- Council Priorities reserves are maintained for 2025/26 to support the priorities outlined in the Corporate Plan.

1.43 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

As per MTFS	Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
General Fund	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**
Council Priorities	(2,959)	(2,801)	(2,018)	(1,561)	(1,561)
Financial Resilience Reserve	(2,528)	(3,162)	(4,523)	(2,984)	1,845
Financial Resilience Reserve - shortfall (indicative)					
Risk Mitigation	(550)	(2,209)	(1,971)	(550)	(400)
Ringfenced Earmarked Reserves	(57)	(27)	(27)	(27)	(27)
Other Revenue reserves	(2,256)	(1,621)	(1,125)	(1,125)	(1,125)
Subtotal Earmarked Reserves	**(8,350)**	**(9,819)**	**(9,664)**	**(6,247)**	**(1,268)**
TOTAL GF Balance + Earmarked Reserves	**(10,110)**	**(11,579)**	**(11,424)**	**(8,007)**	**(3,028)**

IFRS9 Statutory Override

1.44 The Government have indicated through the Local Government Finance Settlement consultation that they do not intend to extend the IFRS9 statutory override beyond its current end date of 31 March 2025. Councils would need to comply with the requirements of IFRS9 from financial year 2025/26.

1.45 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 March2023, later extended by 2 years following consultation with the sector. The override is currently due to end March 2025.

1.46 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 2025/26 financial year would need to be mitigated.

1.47 In anticipation of the statutory override period not being extended, the Council has established a Treasury Management Risk reserve to hold funds to manage the cyclical nature of pooled funds. However, there is a risk that the unrealised losses in a given year may exceed the amounts set aside in the earmarked reserve.

1.48 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.

Capital Programme 2025/26 to 2028/29

1.49 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.

1.50 The Council has set out its Capital Programme for the period 2025/26 to 2028/29 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 £4.0m in 2025/26 is proposed. Total expenditure over the programme period is estimated at £18.1m (£25.4m when including the current financial year)

Table ES5a – Summary Capital Programme

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	1,491	0	500	0	0	1,991
Housing/Planning and Strategic Housing	2,405	1,718	1,839	2,230	1,775	9,967
Environment	1,606	1,132	5,255	1,826	205	10,025
ICT, Change and Customer Services	150	350	150	150	150	950
UK Rural Prosperity Fund	752	0	0	0	0	752
UK Shared Prosperity Fund Projects	134	327	0	0	0	461
Land, Legal and Property	517	500	0	0	0	1,017
Transformation and Investment	257	0	0	0	0	257
	7,312	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

1.51 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.

1.52 The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).

1.53 At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.

1.54 The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval. However, with the current relative high cost of borrowing, the business cases for new projects will need to be robust, include adequate headroom to cover capital financing costs, and be subject to additional challenge from officers prior to member consideration.

Table ES5b – Summary Capital Financing Statement

	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£m)	TOTAL Budget (£'000)
Capital receipts	3,628	2,052	3,184	2,476	355	11,695
Capital Grants and Contributions	3,269	1,975	1,689	1,731	1,775	10,439
Community Municipal Investment	415	0	0	0	0	415
Prudential Borrowing	0	0	2,871	0	0	2,871
TOTAL	**7,312**	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

Conclusions

1.55 Despite the uncertainties around Local Government Funding Reforms, the continued pressure on households from the Cost-of-Living crisis, and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.

1.56 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.

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

1.58 The Capital Programme includes planned expenditure £7.744m in 2025/26 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.

1.59 The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £153.93 per annum to £158.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.

1.60 Cabinet, with support from the Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.

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

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1.62 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during the MTFS period. Consideration should be given as part of the year-end procedures for 2024/25 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2025/26.

2. BACKGROUND

2.1 A significant budget gap was identified in the February 2023 and February 2024 MTFS forecasts. The indicative position outlined for 2025/26 through to 2027/28 was an unfunded budget gap of £4.697m (£10.487, 2025/26 to 2028/29), as reported to Council in February 2024. With the decision to return the majority of services from Publica to the Council (November 2023), without further mitigating action the unfunded budget gap can be expected to have increased over the last 12 months. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period.

2.2 Under the Local Government Finance Act 1992 (as amended), the Council is legally required to set a balanced budget for the following financial year and remains in balance. Section 114 of the Local Government Finance Act 1998 requires the Section 151 Officer to report to all Members if there is likely to be unlawful expenditure or an unbalanced budget.

2.3 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains uncertainty around inflation and interest rates in the current financial year which have an influence over the Council's budget for 2025/26 and the MTFS period both directly and indirectly.

2.4 The Government published their much-anticipated white paper on Local Government in December 2024 "English Devolution White Paper – Power and Partnership: Foundations for Growth". Local government reorganisation for two-tier areas (through the creation of Unitary Councils) forms a significant part of the Government's plans.

2.5 Members should consider some of the wider issues facing local government that will inform the 2025/26 revenue and capital budgets and the MTFS.

2.6 Several local authorities have issued section 114 notices since 2018 with Birmingham City Council Woking Borough Council, Slough Borough Council, and Thurrock Council. A section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year.

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2.7 Whilst the number of authorities issuing section 114 notices is relatively low (8 out of 317 local authorities in England since 2018) it is unprecedented to have had this many issued in a short space of time.

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

** relates to unlawful payment

2.8 A number of other 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.

2.9 A report by the Local Government Association (LGA) in October 2024 (link to article) highlighted that "an unprecedented 18 councils were given Exceptional Financial Support (EFS) from the Government in February to help meet their legal duty to balance their books this year (2024/25)" The survey by the LGA indicated:

- one in four councils have warned that they are likely to apply for emergency government bailout arrangements (EFS) to stave off bankruptcy in the next two financial years (2025/26 and 2027/28).
- Responses were received from 195 councils
- Around one in four Councils are likely to apply for EFS in 2025/26 and/or 2026/27 without additional government funding.

2.10 Although the LGA survey and report was published prior to the October 2024 budget and provisional Local Government Finance Settlement, this does provide an indication of the scale of the financial challenge facing local authorities.

2.11 Whilst there is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.

2.12 Should the budget gap not be closed sufficiently, EFS cannot be ruled out in future years.

2.13 Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2025/26 to 2028/29 on 07 November 2024. The Council undertook a budget consultation process during January 2025.

2.14 A focussed budget consultation exercise was undertaken in January 2025 with 46 responses to the consultation. It is worth noting that the number of responses is considerably lower than in previous years. The consultation process was undertaken during the 'pre-election' period in the lead up to the by election for the Chesterton Ward on 16 January 2025. A 'pre-election' period places certain restrictions on the way in which the Council can engage with its residents.

2.15 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.

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

- The Government's announcement of the Provisional Local Government Settlement 2025/26;
- The estimated Council Taxbase 2025/26 and the forecast balance on the Collection Fund in respect of Council Tax collection in 2024/25; and
- Provision for changes which have arisen since 07 November 2024.

2.17 The level of uncertainty across the sector makes it more difficult to plan for the medium-term. As outlined earlier in the report, the white paper published in December 2024 proposes fundamental changes to the way local government is organised in two-tier areas. At the time of writing this report, the timetable for reorganisation is unclear;

changes could take places as early as April 2027 or April 2028 but is dependent on a number of factors.

2.18 Local Government Finance reforms, originally due to be implemented from April 2020, are now planned from April 2026. The Government launched a consultation on "Local authority funding reform: objectives and principles" in December 2024. This sets out the government's proposed approach and should be viewed in the context of the white paper on devolution. The consultation closes on 12 February 2025.

2.19 The reforms will have a significant impact on the level of funding the Council receives from the Government. It is likely that resources (funding) will be directed towards high-need/low taxbase authorities from low-need/high taxbase authorities.

2.20 Furthermore, the resetting of the Business Rates Retention System, cessation of New Homes Bonus, and the interaction with the Devolution white paper would suggest that Shire District Councils such as Cotswold District Councils are likely to see significant reductions in their funding.

Local Government Finance Policy Statement and Settlement 2025/26

2.21 The Local Government Finance policy statement was published on 28 November 2024 and outlines the Government's proposals for 2025/26, alongside longer-term plans for reforming local authority funding.

2.22 The statement confirmed the Council Tax referendum principles for 2025/26 and a continuation of the existing New Homes Bonus scheme for a further year. The statement included reference to the Extended Producer Responsibility for packaging (EPR) scheme funding for 2025/26.

2.23 The provisional settlement for 2025/26 was announced on 18 December 2024. As indicated in the policy statement, the settlement incorporated a number of reforms to local authority funding – largely around how new funding streams were distributed. Whilst previous finance settlements have be seen as a 'roll-over' from one year to the next, there are significant changes to funding streams for 2025/26. It is worth stressing

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that the settlement only covers the forthcoming financial year with no indication of future funding levels.

2.24 As outlined earlier, the government are consulting on local authority funding reforms that would take effect from April 2026.

2.25 The Government's 4-week consultation on the settlement closed on 15 January 2025. The final settlement has yet to be published and will include details of the allocations for compensating local authorities for the increased Employer National Insurance contributions (ENICs) announced in the October 2024 budget. This report has been prepared based on figures contained within the provisional local government finance settlement.

2.26 The provisional settlement confirmed the following.

- It is a single year settlement for 2025/26.
- Confirmation of the Council Tax referendum principle of 2.99% or £5 (whichever is higher) for shire districts and boroughs.
- New Homes Bonus scheme continues for a further year.
- Rural Services Delivery Grant abolished
- New Grant – Recovery Grant (£600m additional funding)
- New Grant – Children's Services Prevention Grant (£263m)
- Adult Social Care grant will increase by £880m
- Domestic Abuse Safe Accommodation Grant (£160m) now included in Core Spending Power (CSP).
- Protection of Core Spending Power (CSP) through the Minimum Funding Guarantee (MFG) but on a much-reduced basis. The threshold has reduced from 4% to 0% and includes the Government's assumptions of Band D Council Tax increases and taxbase growth. The percentage increase in CSP for Shire Districts was the lowest of all local authority classes at an average of 0.32% (a 4.75% decrease when Council Tax assumptions are removed)
- Continuation of the approach to eliminating negative RSG.
- Services Grant has been abolished.

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Table 1 – Core Spending Power

Core Spending Power	2024/25 FINAL (£'000)	2025/26 [Feb 2024 MTFS] (£'000)	2025/26 Prov^{n} (£'000)	Change from 2024/25 FINAL (£'000)
Settlement Funding Assessment	2,156	2,179	2,193	37
Compensation for under-indexing the business rates multiplier	416	0	440	24
Council Tax Requirement excluding parish precepts	6,597	6,893	6,853	256
Improved Better Care Fund	0	0	0	0
New Homes Bonus	287	0	820	533
New Homes Bonus returned funding	0	0	0	0
Rural Services Delivery Grant	818	818	0	(818)
Transition Grant	0	0	0	0
Domestic Abuse Safe Accommodation Grant	36	0	37	0
Adult Social Care Support Grant	0	0	0	0
Winter Pressures Grant	0	0	0	0
Social Care Support Grant	0	0	0	0
Social Care Grant	0	0	0	0
Market Sustainability and Fair Cost of Care Fund	0	0	0	0
Lower Tier Services Grant				
Funding Guarantee	2,231	2,298	2,230	(0)
Grants Rolled-in	18	0	0	(18)
Services Grant	13	12	0	(13)
Core Spending Power	**12,573**	**12,200**	**12,573**	**0**
pEPR Funding (Outside CSP)	0	0	1,502	1,502
TOTAL Funding as announced	**12,573**	**12,200**	**14,075**	**1,502**

2.27 The Table above shows a cash-flat Core Spending Power for 2025/26 and includes an increase in the level of Council Tax and in the Taxbase. The provisional settlement represents a £0.373m increase over the level assumed in the Draft MTFS.

2.28 The Council will receive £1.502m of funding in respect of Extended Producer Responsibility in 2025/26. 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.

2.29 The policy statement stated that [Local Authorities] “cannot continue to operate in a system that has seen some councils increasing their level of reserves and others struggling to deliver essential services and balance budgets”. Whilst this is not as explicit as previous years (where the view was that the level of reserves should be reviewed and where possible released to support local service delivery), it does signal a change to the way funding is allocated.

2.30 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.

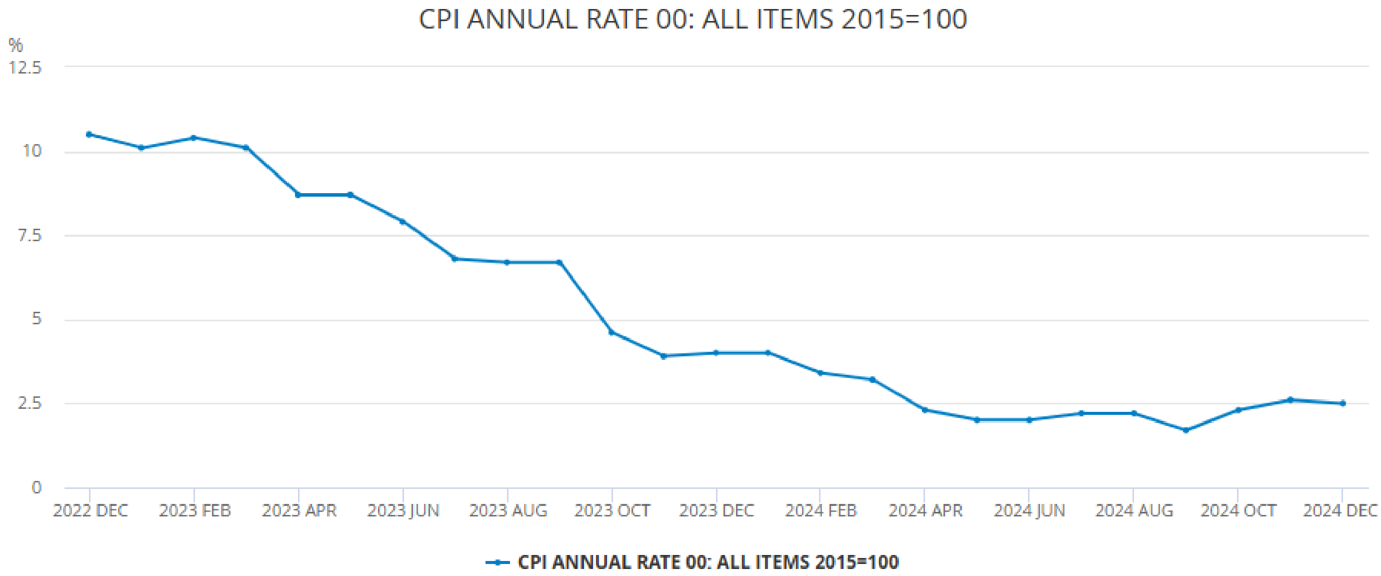
2.31 The updated MTFS includes provision of a risk-based General Fund balance of £1.760m being the minimum expected level for total working balances.

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 2025/26 budget and MTFS.

Inflationary Pressures

3.2 The level of inflation, as measured by the Consumer Prices Index, for December 2024 is 2.5% (down from 2.6% in November 2024). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 3.5% (3.6% in November 2024). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) was 3.2% (3.5% in November 2024). The CPI goods annual rate increased from 0.4% to 0.7%, while the services rate reduced from 5.0% to 4.4%.



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

3.4 The forecast for inflation (CPI) is that it will remain above the Bank of England's target of 2.0% during 2025. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (November 2024).

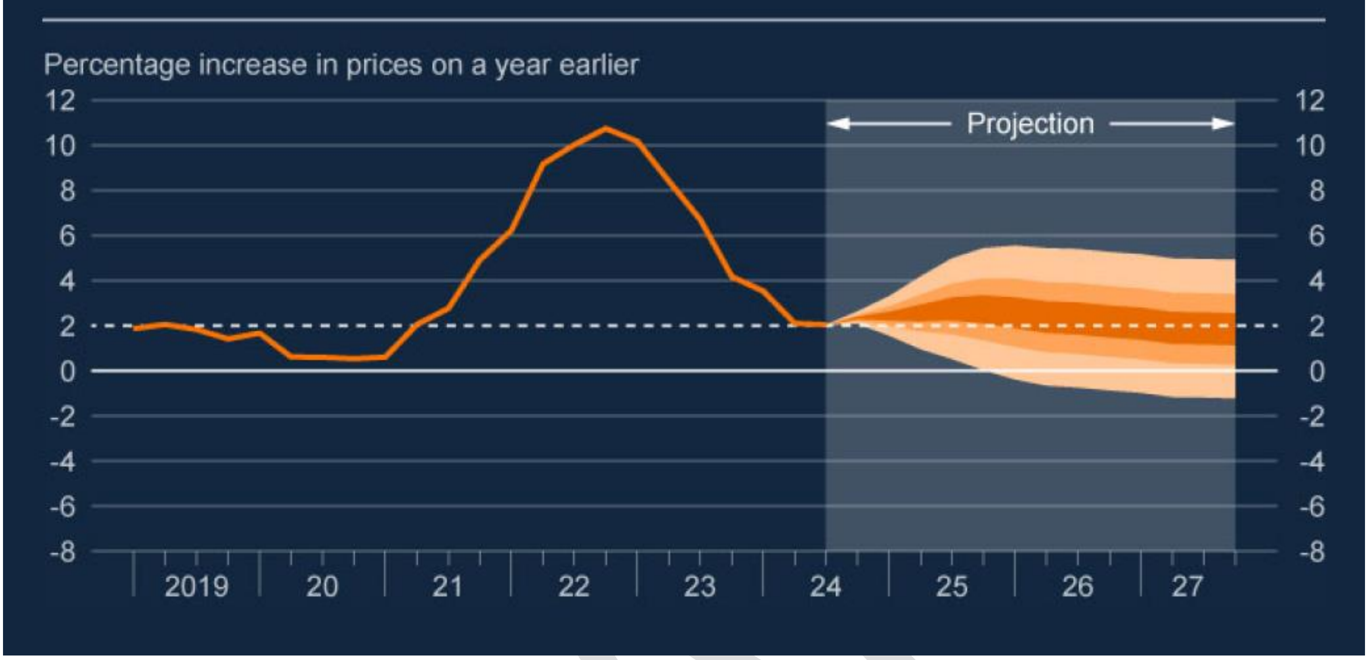


Chart 1.4: CPI inflation projection based on market interest rate expectations, other policy measures as announced

3.5 The continuation of elevated levels of inflation throughout the year and the Bank of England's forecast over the medium-term will need to be taken into account when assessing the impact on 2025/26 revenue and capital budgets.

Interest Rates

3.6 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 4.75% and was reduced from 5.00% at the MPC meeting on 07 November 2024. The MPC voted to maintain rates at 4.75% at their latest meeting on 18 December 2024. The council's treasury management advisors believe further reductions in the bank base rate will come through during 2025 tied to the quarterly report cycle. The next MPC meeting is scheduled for 06 February 2025 with dates now agreed for 2025.

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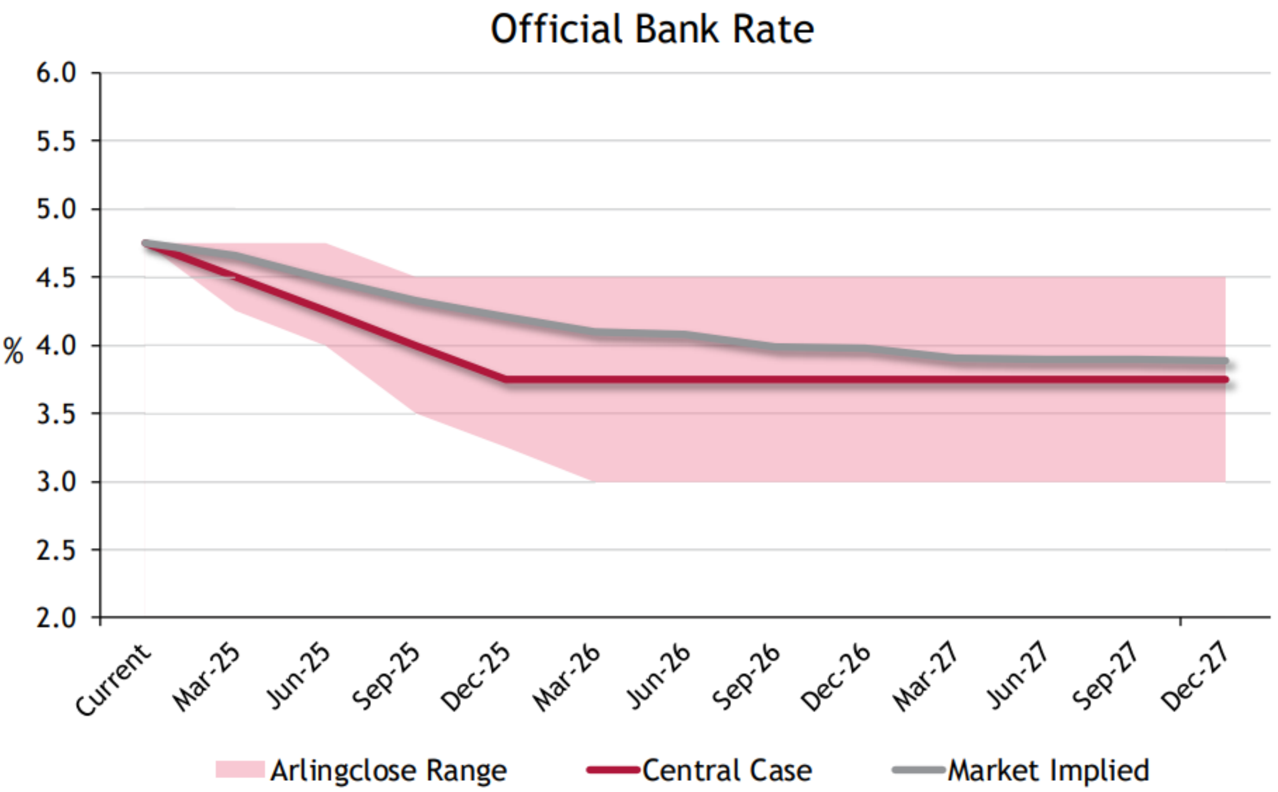
Confirmed Dates	
Thursday 06 February 2025	February Monetary Policy Report
Thursday 20 March 2025	
Thursday 08 May 2025	May Monetary Policy Report
Thursday 19 June 2025	
Thursday 07 August 2025	August Monetary Policy Report
Thursday 18 September 2025	
Thursday 06 November 2025	November Monetary Policy Report
Thursday 18 December 2025	
Provisional Dates 2026	
Thursday 05 February 2026	February Monetary Policy Report
Thursday 19 March 2026	
Thursday 30 April 2026	May Monetary Policy Report
Thursday 18 June 2026	
Thursday 30 July 2026	August Monetary Policy Report
Thursday 17 September 2026	
Thursday 05 November 2026	November Monetary Policy Report
Thursday 17 December 2026	



3.7 To support the Capital Programme, the Council may need to undertake borrowing during the current financial year although this is dependent on several factors. With PWLB interest rates remaining relatively high despite reduction in the base rate (and compared to the previous decade), this will impact the expenditure required to service any borrowing the Council undertakes.

3.8 The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). This is not unique to Cotswold District Council with reports in specialist press (e.g., Public Finance) of Councils shelving or scrapping planned capital projects as other costs continue to rise and/or the need to find savings to balance the budget.

3.9 With interest rates expected to 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

3.10 The Office for Budget Responsibility published their economic and fiscal outlook in October 2024. The key observations and forecasts outlined in the report were:

- Having stagnated last year, the economy is expected to grow by just over 1 per cent this year, rising to 2 per cent in 2025, before falling to around 1½ per cent, slightly below its estimated potential growth rate of 1⅔ per cent, over the remainder of the forecast.
- Having fallen back to around the 2 per cent target in mid-2024, the OBR expect CPI inflation to pick up to 2.6 per cent in 2025 partly due to the direct and indirect impact of Budget measures
- From its current level of 5.00% (now 4.75%), Bank Rate is expected to fall to 3.50% in the final year of the forecast
- Supported by the temporary boost to demand from the October 2024 Budget, the unemployment rate falls from 4.30% this year to 4.00% in 2026 before returning to its estimated structural rate of 4.10% in 2028.
- Expect nominal earnings growth to fall from 4.70% this year to around 3.50%

- in 2025 and then average 2.25% over the remainder of the forecast
- Living Standards, as measured by Real household disposable income (RHDI) per person, grows by an average of just over 0.50% a year over the forecast.

4. 2024/25 REVENUE BUDGET

4.1 The original net revenue budget for 2024/25 was £15.061m giving rise to a budgeted surplus of £0.516m. Cabinet has considered the forecast outturn position during the year with the last forecast outturn position of £15.358m reported in the Financial Performance Report – Q2 2024/25 (Update). This highlighted a forecast adverse variation of £0.297m against the budget, with the budgeted surplus reduced to £0.219m.

4.2 The MTFS has assumed that the budgeted surplus of £0.516m would be transferred to the Financial Resilience reserve Although the adverse variation reported in Q2 reduces the revenue budget surplus, when taken with the reduced impact of the 2024/25 Pay Award (£0.400m reduction), the proposed transfer to the Financial Resilience Reserve (£0.619m) would be in line with the budgeted position.

4.3 Given the complexity of budget transfers associated with Phase 1 of the Publica Review, service budgets have not been revised for the current financial year.

4.4 The Q3 forecast will be considered by Cabinet at their meeting in April 2025 and should be viewed as a draft outturn position. Should there remain and adverse outturn forecast, in the absence of mitigating cost reductions or savings the remaining overspend will need to be funded from the Financial Resilience reserve to achieve a balanced position.

5. PUBLICA REVIEW

5.1 The February 2024/25 MTFS did not include any budget provision for Phase 1, or any subsequent phase associated with the transfer of services from Publica to the Council. The 2025/26 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update report was considered by Cabinet at their meeting in November 2024. This provided members with an update on the financial aspects of transition.

5.2 Following reports from Human Engine (November 2023) and Local Partnerships (March 2024), Council approved the Detailed Transition Plan ("DTP") report at its meeting on 31 July 2024. This set out the process that would be followed to return the majority of services to the Council with an initial transfer of services taking place on 01 November 2024.

5.3 The DTP and covering report provided members with an initial estimate of additional cost of Phase 1 (enduring impact) and the one-off costs (provision for redundancy).

5.4 These cost estimates have been updated but members should be aware that they are updated estimates and may vary as recruitment and appointments continue made to roles within the council.

5.5 The table below provides members with a reconciliation between the financial implications set out in the July 2024 DTP, those included in the MTFS update, and the estimates included within this MTFS.

5.6 The main changes between the July 2024 estimate and the February 2025 MTFS are:

- Additional Communications Team post, salary assumptions [+£84k].
- Increase in salary assumptions for Director of Communities and Place [+£11k]
- Increase in salary assumptions for senior planning roles [+£47k]
- Reduction in Development Management and Forward Planning estimate [-£7k]
- Reduction in estimate of Director and Executive Assistant roles [-£3k]
- Other minor changes in cost estimate [+£4k]

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Table 2 – Publica Transition – Phase 1 cost movement

Reconciliation of movement in additional cost	July 2024 DTP (£'000)	November 2024 update (£'000)	December 2024 update (£'000)	Change (£'000)
Phase 1 Basline Cost	3,674	3,616	3,701	27
Sharing + Pension Impact	326	318	321	(5)
New Roles	553	619	663	110
New Model Total	**4,553**	**4,553**	**4,686**	**132**
Publica Savings (Direct)	(240)	(240)	(221)	19
Indirect Savings	(283)	(282)	(282)	1
Enduring Impact	**4,030**	**4,031**	**4,182**	**152**
Indicative Annual Increase / (Decrease)	**356**	**415**	**481**	**66**

5.7 It should be noted that the table above only covers Phase 1. The financial implications of Phase 2 will be considered alongside the DTP in March 2025. However, for the purposes of the MTFS, a high-level estimate has been included in the MTFS for Phase 2. Proposals for the next phase are being reviewed with extensive due diligence before any decision is taken as part of the DTP in March 2025. This is in-line with the approach taken with Phase 1 and is vital to ensure the Council is able to remain financially sustainable given the likely cost increase that will result from Phase 2.

5.8 The budgetary impact for Phase 2 is outlined in more detail in Section 6 of this report.

5.9 It is important to note that the gross increase in cost of Phase 1, £0.984m in a full year (up from £0.937m), was net of cost reductions of £0.503m (reduced from (£0.522m) associated with changes made to the Publica management structure (giving the net cost estimate of £0.481m – up from £0.415m). Elements of the new posts (shown in the waterfall) could be considered as one-off changes to the Council's structure and matched by comparable reductions in the Publica contract sum. The associated cost reductions have been front-loaded and it is not anticipated that similar cost reductions would be realised in Phase 2.

5.10 In terms of one-off costs, paragraph 5.10 of the DTP covering report included the following: "A prudent estimate would be for the Council to anticipate around £0.300m of redundancy and associated costs which allows for a level of mitigation. This represents an equal one-third share of the costs with future salary savings allocated on the same basis."

5.11 The current estimate for the Council's share of redundancy and pension strain costs is £0.188m (previously reported at £0.274m) and within the amount set aside within the Financial Resilience reserve.

5.12 Members have received updates in the quarterly financial performance reports on the costs associated with the Transition Programme. The table below provides an update on costs incurred up to Q3 2024/25 (i.e. 31 December 2024) and a forecast for the remainder of the Phase 1 period (i.e. to 31 March 2025). The forecast to the end of the year indicates that £0.225m of the £0.500m set aside to support the transition programme will have been utilised on Phase 1 preparation and delivery.

5.13 The forecast for the Transition Programme includes 'soft' commitments (i.e. principal of expenditure has been agreed but timing and duration of spend not yet confirmed) for additional support for the areas below. The forecast includes estimates for 2025/26 expenditure:

- Finance Business Partnering
- Project Management Support (Programme Manager)
- HR Payroll Support
- Strategic HR support (External oversight and critical friend review of TUPE)

6. MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

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.

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6.2 Cabinet considered the *2025/26 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update* report [link] at their meeting in November 2024. The report set out the broad approach for the 2025/26 budget with indicative estimates of funding.

6.3 This report updates the estimates and budget proposals following the Provisional Local Government Finance Settlement published on 18 December 2024 (as set out in Section 2 of the report).

6.4 Service budgets have been updated for 2025/26, 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 2025/26 Fees and Charges report at this meeting of Cabinet setting out in detail the fees and charges proposed for 2025/26. This report has been prepared on the basis of the proposed fees being approved by Cabinet.

6.6 An increase of £0.266m has been reflected in fees and charges that have been subject to review or increased in-line with the September 2024 CPI inflation rate of 1.7%. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.

Budget Pressures

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, virements 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 3 – Budget Pressures

Item & Summary	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
External Audit Fees - 10% increase in scale fee and Housing Benefit audit costs	52	52	52	52
Cotswold National Landscape Contribution increase	13	13	13	13
Elections - review of budget provision in context of overspends in 2023/24 and 2024/25	54	54	54	54
Planning & Strategic Housing - Licences and Subscriptions	36	36	36	36
Waste & Recycling expenditure budgets	44	44	44	44
Business Rates on Council-owned properties	20	20	20	20
2025/26 Income Pressures - Car Parks (PCNs)	50	50	50	50
2025/26 Income Pressures - Car Parks (Permits/Season Tickets)	40	40	40	40
CIVICA Software Licence Renewal	31	31	31	31
Environmental & Regulatory Services - Building Control service improvements, Emergency Planning (LRF)	14	14	14	14
Democratic Services	13	13	13	13
Communications - Licences for Social Media and email	10	10	10	10
Income Pressures - Waste & Recycling (Material sales)	44	44	44	44
Waste & Recyling - Clinical Sharps budget adjustment	(15)	(15)	(15)	(15)
Public Conveniences - contract and utility costs	14	14	14	14
Corporate Costs - Insurance, Subscriptions	21	21	21	21
Bank Charges - volume increase	34	34	34	34
Other budget pressures <£10k	21	21	21	21
	494	**494**	**494**	**494**

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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
- Inflation-led or contract-related cost pressures: CIVICA Revenues and Benefits System
- Income pressures: Waste & Recycling material sales, Car Park fees – penalty charges.

6.10 Members will note from the table above an increase in the cost of the CIVICA Revenues and Benefits system. The contract with CIVICA for the shared system commenced on 01 June 2020 and is due to end on 31 May 2025. Following an options appraisal and review of procurement options in early 2024, the recommendation was to procure a new contract with through a suitable framework. The cost of system change was a significant factor in the review of options.

6.11 A shorter contract length has been negotiated in light of the timescales around Devolution/Local Government Reorganisation. The total cost for the shared contract of this period is £0.951m with £0.031m per annum as the impact on Cotswold District Council.

6.12 As the contract value is around £0.106m per annum for the Council (£0.317m over the contract term) and given the need to ensure uninterrupted software provision and support, it is recommended that members formally note the outcome and contract values.

Inflation

6.13 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 volatility are likely to be under pressure in 2025/26

6.14 The inflation rate has continued to fall and reached 1.7% in September 2024 although has risen to 2.5% in December 2024. The Office for Budget Responsibility outlined their expectations for inflation in their November 2024 report:

- Having fallen from a 41-year high of 11.1 per cent in October 2022, annual CPI inflation is expected to remain close to the 2 per cent target throughout the forecast period. We expect a temporary rise, from around 2 per cent in the third quarter of this year, to an average of 2.6 per cent in 2025. This is driven by higher gas and electricity prices, the direct effect of policies announced in this Budget, and the effect of a small positive output gap on domestically generated inflation. CPI inflation then gradually falls back to the 2 per cent target in 2029 as the positive output gap closes and energy price growth normalises. Compared to the March forecast, CPI inflation is higher in 2025 and 2026 by 1.1 and 0.6 percentage points respectively, and slightly higher until the end of the forecast. On average just over half of the higher inflation in 2025 and 2026 is driven by our pre-measures judgements, with the rest due to the impact of policies in this Budget
- There is significant uncertainty around the forecast for CPI inflation. Domestically, if wage growth is less persistent than we assume this could drive lower inflation. There are also risks to the forecast from the external environment given the continuing war in Ukraine and the widening conflicts in the Middle East. Based on historical forecast errors, there is roughly a one-in-five chance of CPI inflation being above 4.5 per cent or below 1.1 per cent in 2025.

6.15 The main cost pressure facing the Council is the Pay Award which has been forecast at 3% over the MTFS period – slightly 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. Clearly, there remains significant uncertainty with risk around the level and extent of inflation provision made.

Table 4 – Inflation Forecast (Office for Budget Responsibility, October 2024)

	OBR Forecasts, October 2024			
	2025	**2026**	**2027**	**2028**
OBR Forecast	2.6%	2.3%	2.1%	2.1%
External forecast (average)	2.2%	2.2%	2.4%	2.3%

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

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Table 5 – Inflation Provision included in the MTFS

Contract/Provision	2025/26 provision	2026/27 assumption (£'000)	2027/28 assumption (£'000)	2028/29 assumption (£'000)
Ubico	3.00%	250	498	756
Publica	3.00%	235	476	725
CDC Services	3.00%	144	293	421
		629	**1,268**	**1,903**

6.17 For the purposes of the calculating the inflationary impact on contract for MTFS, the base budget used to calculate the Publica contract sum inflation provision is £7.547m (i.e. 2024/25 Contract Sum of £10.823m less the value of budget transferred for Phase 1 of £3.674m). With the transfer of further services and budget under Phase 2 the inflationary provision and split will need to be reviewed.

Table 6a – Ubico Contract Costs

Ubico Services	2024/25 Ubico Contract (£'000)	2025/26 Ubico Contract (£'000)	Change (£'000)	Change (%)
GM - Car Parks	71	62	(8)	(11.84%)
GM - Cemetery, Crematorium and Churchyards	196	173	(23)	(11.84%)
Garden Waste Collection	1,420	1,310	(111)	(7.81%)
Household Waste	1,720	1,844	125	7.24%
Recycling	3,087	3,340	253	8.20%
Refuse / Recycling Organic & Food Waste	661	732	71	10.73%
Street Cleaning	1,566	1,387	(179)	(11.45%)
GM - Trinity Road, Offices	18	16	(2)	(11.84%)
Grand Total	**8,738**	**8,863**	**125**	**1.43%**

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Table 6b – Multi-Service Gross and Net Cost

	2025/26 Budget				
Waste, Recycling, Street Cleaning and Grounds Maintenance Services	**Ubico Contract (£'000)**	**Other Service Costs (£'000)**	**Gross Service Cost £'000)**	**Service Income (£'000)**	**Net Service Cost (£'000)**
Bulky Household Waste	0	73	73	(79)	(6)
GM - Car Parks	62	0	62	0	62
GM - Cemetery, Crematorium and Churchyards	173	0	173	0	173
Garden Waste Collection	1,310	145	1,454	(1,593)	(139)
Household Waste	1,844	149	1,993	(3)	1,990
Recycling	3,340	238	3,578	(932)	2,646
Refuse / Recycling Organic & Food Waste	732	0	732	0	732
Street Cleaning	1,387	45	1,432	0	1,432
GM - Trinity Road, Offices	16	0	16	0	16
Grand Total	**8,863**	**648**	**9,512**	**(2,606)**	**6,905**

6.18 The gross and net budget for services in the table above includes the reduced cost associated with the rezoning exercise, inflationary provisions and other changes to the contract including Employer's National Insurance Contributions.

6.19 Energy prices have 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, the increase for 2025/26 is estimated at £0.049m. With the level of uncertainty prevalent in the energy market updated forecasts will be included in the regular quarterly financial and performance monitoring reports to Cabinet.

Publica Phase 2

6.20 The transition of services from Publica to Council will clearly have a material impact on the Council's resources and budget over the MTFS-period. For the purposes of the 2025/26 revenue budget and the MTFS, it is assumed the cost of services will remain within the cost envelope set out over the medium-term.

6.21 It is essential that the Council takes every opportunity to make services as efficient and cost effective as possible and this will be an important element of the Transition Plan and approach to service design. Cost pressures must be minimised during the transition plan period to ensure service costs are contained within the financial envelope set out in the MTFS.

6.22 To fund the one-off costs of transition, £0.500m has been set aside in the Corporate Priority: Publica Review reserve. It is anticipated that a balance of £0.225m will be available to support Phase 2.

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

6.24 To ensure adequate provision is made for the costs and mitigation options over the transition period, the Council must have adequate financial headroom in order to make key decisions on service design. Therefore, the recommended approach is to increase the availability of one-off revenue and capital resources through:

- Effective resource management – ongoing vacancy management with confirmed underspends allocated to the Workforce Planning reserve.
- Application of capital receipts to qualifying expenditure (e.g., cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation) in accordance with the Council's policy on the Flexible use of capital receipts.

6.25 The MTFS has been prepared against the emerging position regarding the Phase 2 of Publica Transition. The broad assumptions for the purposes of the 2025/26 budget and over the medium term is that service costs will increase as a result of increased employer pension contributions and a reduced emphasis on sharing of services. The MTFS has made a broad assumption based on a limited number of services that are being considered for Phase 2. There remains uncertainty around future service transition due to Devolution/Local Government Reorganisation. Cabinet and Council will consider the Phase 2 Transition Plan and the financial implications in March 2025.

6.26 At the time of preparing the 2025/26 Budget and MTFS, the nature and structure of service delivery for the Phase 2 services in scope had not been finalised. The latest available information indicated that the following services were forecast to increase in cost by between £0.230m and £0.300m in a full year.

- Property and Estates
- Leisure Management
- Waste & Recycling (contract management)
- Project and Programme support

6.27 Alongside the services transferring, a small number of additional roles have been identified to support delivery of the Council's Savings and Transformation Programme, emerging values and Culture Strategy, and to support the Strategic Housing function.

6.28 In order to minimise the ongoing cost to the Council, reserve and additional funding has been identified. The list below provides details of the additional posts, and the funding stream identified.

- Head of Learning and Organisation Development (Growth, Revenue Budget)
- Transformation Lead (Reserve funded)
- Transformation Support – Project Management (Reserve funded)
- Strategic Housing Support (Growth, funded from Council Tax Second Homes Premium)

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Post	MTFS Provision per annum (£'000)
Head of Learning and Development	93
Transformation Lead	101
Transformation Support	73
Strategic Housing Support	62
	328
Funded by:	
Council Tax Second Homes Premium	(62)
Earmarked Reserve	(174)
Revenue Budget	(93)
	(328)

6.29 Cabinet and Council will consider the Phase 2 Transition Plan and the financial implications in March 2025 which will set out in detail timing and service and management structures. As with Phase 1, one-off costs associated with delivering Phase 2 are estimated at £0.300m and would be funded from one-off funding.

6.30 The plan must be cognisant of financial cost associated with service transformation. The MTFS outlines the resources available to the Council – both in terms of ongoing revenue budgets and one-off resources. Whilst the due diligence process is yet to conclude and will be subject to constant review and revision, it is inevitable with a programme of this scale and size that additional costs of change will be identified as services are reviewed and transferred back to the Council.

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

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

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

Risk Items

6.34 The 2025/26 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.

6.35 £0.200m has been maintained as a contingency budget to mitigate the risk inflationary pressure on the key Publica and Ubico contracts and to provide some budgetary headroom around fees and charges income.

6.36 This budget will be held centrally and would be allocated in support of evidenced budget pressures during the year identified through the quarterly financial monitoring process. Should these budgets not be required, in part or in full, they would be returned to the Financial Resilience Reserve (in-year) and reviewed as part of the 2026/27 budget setting process.

6.37 A further balance of £0.160m will be held centrally as detailed budgets are updated following Phase 1 and Phase 2 transfers. In effect, this balances is a timing difference – the total cost of services, whether provided by Publica or the Council, must be within the financial envelope set out in the MTFS. are contained within the MTFS

Savings

6.38 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	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Corporate Savings and Income				
LGPS - Secondary Rate (PIA) (Budget savings)	(196)	(196)	(196)	(196)
Trinity Road - rental income	(25)	(50)	(50)	(50)
Other Expenditure Savings				
Ubico - Rezoning of Rounds	(59)	(59)	(59)	(59)
Ubico - Street Service review	(150)	(150)	(150)	(150)
Business Rates - Car Parks (reduced liability)	(50)	(50)	(50)	(50)
Service Charges - Trinity Road tenants	(25)	(25)	(25)	(25)
Revenues and Benefits - additional grant funding	(41)	(41)	(41)	(41)
Other budget changes	(2)	(2)	(2)	(2)
Fees & Charges				
Car Parking Fees	(90)	(200)	(293)	(390)
Garden Waste - fee increase	(123)	(241)	(359)	(477)
Planning Fees - Annual uplift	(15)	(15)	(15)	(15)
TOTAL	**(777)**	**(1,029)**	**(1,240)**	**(1,455)**

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

Fees and Charges

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

6.41 The outcome from the review has been analysed and discussed with Cabinet members. The table below sets out the updated position on fees and charges income estimates for 2025/26 and includes an assumed annual uplift over the MTFS period. The decision on fees and charges will be considered by Cabinet as part of each year's budget setting round. A detailed schedule of the Fees and Charges was included as Annexes to the 2025/26 Fees and Charges Report.

6.42 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 2023 and October 2024.

6.43 The impact of the changes would be to increase the budgeted level of income in 2025/26 by £0.090m.

6.44 A Garden Waste fee increase of £5 (£64 to £69) takes into account the impact of rezoning and the increased cost pressures such as Employers National Insurance contributions. 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 slight reduction in subscribers at the start of the year due in part due to price sensitivity:

Table 8 – Garden Waste Service

Garden Waste Service	2025/26 Gross Service Cost (£'000)	(£'000) Forecast Income	Net Cost (£'000)
Net cost based on £64 per annum charge	1,454	(1,422)	32
Net cost based on £69 per annum charge (as per 2024 subscriber numbers)	1,454	(1,593)	(139)
Net cost based on £69 per annum charge (MTFS assumption)	**1,454**	**(1,456)**	**(2)**

Other Income changes

6.45 Cabinet considered the Agile Working Update and Tenancy Proposals for Trinity Road Council Offices in Cirencester at their meeting in February 2024.

6.46 Following a procurement exercise with engagement with serviced office providers, Watermoor Point wase selected as the Council's partner with a Management Agreement.

6.47 An initial estimate of has been included in the 2025/26 Revenue Budget of £25k reflecting the current letting position. Take-up from tenants has initially been slow but Watermoor Point have reported a sharp increase in January. There are now nine tenants in place, there are 8 contracts out for signature, and there are 23 potential tenants for whom Watermoor Point is preparing quotes or providing information.

6.48 The open-plan atrium space is still largely unoccupied, but it is hoped as more tenants sign up and the space becomes busier and has more atmosphere, this will then attract even more tenants.

6.49 For the purposes of the MTFS, a prudent view has been taken on future income and expenditure savings. These will be updated once lettings have been agreed and will only be included in the revenue budget and MTFS when cashflow outcomes are certain.

Non-Service Expenditure and Income

6.50 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 2025/26 of (£1.799m) are proposed and will reduce over the MTFS period as the revenue impact of capital financing takes effect. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned reserve transfers are set out below in more detail.

Treasury Management, Capital Financing and PWLB Lending Terms

6.51 The MTFS includes an estimate of the cost of borrowing required to support the capital programme. A Draft of the Treasury Management Strategy for 2025/26 (Annex X) was considered by Audit and Governance Committee at its meeting on 28 January 2025. 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.

6.52 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.

6.53 Provisions within the Levelling-Up and Regeneration Act that would have expanded the Government's statutory powers to intervene in the local government capital finance system have been dropped by the current Government.

6.54 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.

6.55 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.

6.56 **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.

6.57 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

6.58 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".

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

6.60 As set out in paragraph 3.6, the Bank of England has slowly reduced interest rates from their peak of 5.25% (Augst 2023) as inflationary pressures have eased. The current Bank of England base rate is 4.75% and was reduced from 5.00% at the MPC meeting on 07 November 2024. The MPC voted to maintain rates at 4.75% at their latest meeting on 18 December 2024. The Council's Treasury Management advisors, Arlingclose believe there will be further reductions in the bank base rate during 2023 tied to the quarterly reporting cycle. The next MPC meeting is scheduled for 06 February 2025. Rates are expected to reduce gradually with a rate cut expected in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.

6.61 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)

6.62 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £9k is to be charged in 2025/26 and is forecast to increase to £395k by 2028/29.

6.63 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.

6.64 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 £1.1m has been forecast for 2025/26 recognising the strong performance over the last 12 months whilst recognising the forecast fall in interest rates. The MTFS forecast assumes a reduced level of return from 2025/26 and further reductions 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.

<u>IFRS9 Statutory Override</u>

6.65 The Government have indicated through the Local Government Finance Settlement consultation that they do not intend to extend the IFRS9 statutory override beyond its current end date of 31 March 2025. Councils would need to comply with the requirements of IFRS9 from financial year 2025/26.

6.66 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 March2023, later extended by 2 years following consultation with the sector. The override is currently due to end March 2025.

6.67 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 2025/26 financial year would need to be mitigated.

6.68 In anticipation of the statutory override period not being extended, the Council has established a Treasury Management Risk reserve to hold funds to manage the cyclical nature of pooled funds. However, there is a risk that the unrealised losses in a given year may exceed the amounts set aside in the earmarked reserve.

6.69 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 2025/26 with a transfer of the projected surplus to the Financial Resilience reserve. However, there is a significant and increasing projected budget gap of £1.539m in 2026/27 and is forecast to increase to £4.829m in 2027/28 and £6.282m by 2028/29. This is 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 Council Business 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 and will be depleted during 2027/28. For clarity, the MTFS assumes that the cost of change associated with the Publica review is contained within the existing financial envelope. Given the increasing budget gap from 2026/27 it is not unreasonable to expect service reviews to contribute towards a balanced budget position over the MTFS period. At this stage, it is difficult to make a robust judgement as to the level and timing of cost reduction for services that will be transferred from Publica to the Council.

7.4 The Council will need to address the scale of the budget gap to ensure a balanced budget can continue to be set over the MTFS period. The position set out in this report is by no means complete and the budget gap may change due to assumptions being updated.

7.5 Local Government Reorganisation, as outlined earlier in the report in the English Devolution white paper, and the proposals for Local Government Finance reforms, will exert significant influence over the prospects for the Council's finances over the MTFS-period.

7.6 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.

7.7 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.

7.8 In response to the adverse financial position forecast for 2024/25 outlined in the quarterly Financial Performance reports, Cabinet agreed the following in the Financial Performance Report – Q2 2024/25 at their meeting on 05 December 2024:

- Cabinet review in-year opportunities with Publica and Ubico as part of the 2025/26 Budget options to mitigate the financial position as currently forecast across the MTFS period.
- **Vacancy Management** - implement an Authority to Fill process with authorisation for all recruitment activity including time-limited agency cover, limits of day/hourly rates, recruitment costs. Prioritisation of posts/service areas with active recruitment to essential roles only.
- **Consultancy support and external commissions** – s151 to provide guidance to all service leads on criteria under which external agency support can be commissioned (subject to business case which would identify need based on criteria such as supports Corporate Plan delivery, alternative options have

been considered, time-critical requirement to ensure project delivery, funding identified and available).

- Accelerate development of **refreshed Savings & Transformation plan** to ensure adequate cost reductions are identified, scoped, and planned over the MTFS period. Savings ideas will be grouped by workstream and clearly indicate outcomes expected in terms of financial and service benefits and set challenging but achievable action plans for delivery by agreed periods.
- Linked to the mitigation action above, consider actions for budget holders in 2025/26 to **reduce income pressures** on revenue budget as part of the review of fees and charges from a cost recovery position.
- **Publica Review Phase 2** poses the single biggest risk to a balanced budget in 2025/26 and over MTFS period. The design-led principle *Consideration of cost* must ensure that the additional cost of bring services back to the Council are quantified with mitigating actions taken to reduce the potential impact on the MTFS.

7.9 During 2024/25, the Cabinet Transform Working Group (CTWG) met to support Cabinet with identifying and reviewing savings and transformation opportunities.

7.10 The Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.

Balances and Reserves

7.11 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).

7.12 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.

7.13 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.

7.14 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.

7.15 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.

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

7.17 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

7.18 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.

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

7.20 A review of the Council Priorities Fund revenue reserve was undertaken as part of the 2024/25 budget setting process with the recommendation that this is allocated into separate reserves linked to the priorities outlined in the Council's Corporate Plan as indicated below:

- Delivering Good Services
- Responding to the Climate Emergency
- Delivering Housing
- Supporting Communities
- Supporting the Economy

7.21 It is recommended that the following reserves are maintained to support delivery of the Council Plan, the Publica Review outcomes, and the ongoing preparation of the Council's Local Plan:

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- **Council Priority: Publica Review** reserve – the estimated unspent balance (estimated at £0.225m) to provide adequate funding for the Council's share of the costs arising during the Phase 2 of the Publica Transition.
- **Council Priority: Local Plan** reserve – a further £0.250m is allocated to the to ensure the next stages of the Local Plan preparation can be delivered following the update to the National Planning Policy Framework (NPPF) in December 2024. The Council has submitted an expression of interest to MHCLG for Delivery Funding of up to £0.250m. Should the Council be successful and receive an allocation, the level of reserve funding will be reviewed. It is anticipated that local authorities will be notified of outcome in February 2025.
- **Council Priority: Climate Emergency** reserve is maintained at £0.250m
- **Council Priority: Housing Delivery** reserve is maintained at £0.500m
- **Council Priority: Regeneration/Infrastructure** reserve is maintained at £0.200m with a commitment of up to £0.070m regarding feasibility studies agreed by Cabinet in December 2024. The reserve is held to provide funding for feasibility studies and due diligence around the emerging Cirencester Town Centre Masterplan including support for the Council's Car Park Strategy.
- **Council Priority: Transformation and Change** reserve is increased from £0.200m to £0.318m to provide funding for savings and transformation support, projects and invest to save initiatives.

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

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

- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
- Council Priorities reserves are maintained for 2025/26 to support the priorities outlined in the Corporate Plan.

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7.24 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

As per MTFS	Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
General Fund	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**
Council Priorities	(2,959)	(2,801)	(2,018)	(1,561)	(1,561)
Financial Resilience Reserve	(2,528)	(3,162)	(4,523)	(2,984)	1,845
Financial Resilience Reserve - shortfall (indicative)					
Risk Mitigation	(550)	(2,209)	(1,971)	(550)	(400)
Ringfenced Earmarked Reserves	(57)	(27)	(27)	(27)	(27)
Other Revenue reserves	(2,256)	(1,621)	(1,125)	(1,125)	(1,125)
Subtotal Earmarked Reserves	**(8,350)**	**(9,819)**	**(9,664)**	**(6,247)**	**(1,268)**
TOTAL GF Balance + Earmarked Reserves	**(10,110)**	**(11,579)**	**(11,424)**	**(8,007)**	**(3,028)**

7.25 Whilst the level of reserves and balances shown in the table indicates that the Council is in a good financial position, the budget gap from 2026/27, increasing over the MTFS period, would reduce the Financial Resilience Reserve to a nil balance during 2027/28.

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

7.27 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.

7.28 With a significant budget gap forecast from 2026/27 and increasing over the MTFS-period, it is crucial for the Council to close this gap through a comprehensive Savings and Transformation Programme. At this stage of the financial planning process, the budget gap is only mitigated through the utilisation of the Financial Resilience reserve and other risk-mitigation reserves such as the Business Rates risk reserve.

7.29 Whilst this is a reasonable position for the forthcoming financial year, it is not a sustainable position. Without additional cost reduction measures, the Financial Resilience reserve will be depleted by 2027/28. It is not prudent, therefore, for the Council to maintain other reserve balances for other projects and priorities if financial sustainability cannot be maintained.

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

7.31 The tables below are intended to illustrate the impact on reserve balances with mitigation measures in place (i.e. additional cost reduction and savings are identified and delivered in 2026/27 and 2027/28).

Tables 9b and 9c – Reserves and Balances Forecast (Scenario)

As per MTFS with NO mitigation	Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
General Fund	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**
Council Priorities	(2,959)	(2,801)	(2,018)	0	0
Financial Resilience Reserve	(2,528)	(3,162)	(4,523)	(4,545)	284
Financial Resilience Reserve - shortfall (indicative)					
Risk Mitigation	(550)	(2,209)	(1,971)	(550)	(400)
Ringfenced Earmarked Reserves	(57)	(27)	(27)	(27)	(27)
Other Revenue reserves	(2,256)	(1,621)	(1,125)	(1,125)	(1,125)
Subtotal Earmarked Reserves	**(8,350)**	**(9,819)**	**(9,664)**	**(6,247)**	**(1,268)**
TOTAL GF Balance + Earmarked Reserves	**(10,110)**	**(11,579)**	**(11,424)**	**(8,007)**	**(3,028)**

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As per MTFS with NO mitigation	Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)	Estimated Balance 31/03/2028 (£'000)
General Fund	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**
Council Priorities	(2,959)	(2,801)	(2,018)	0	0
Financial Resilience Reserve	(2,528)	(3,162)	(4,523)	(4,545)	284
Financial Resilience Reserve - shortfall (indicative)					
Risk Mitigation	(550)	(2,209)	(1,971)	(550)	(400)
Ringfenced Earmarked Reserves	(57)	(27)	(27)	(27)	(27)
Other Revenue reserves	(2,256)	(1,621)	(1,125)	(1,125)	(1,125)
Subtotal Earmarked Reserves	**(8,350)**	**(9,819)**	**(9,664)**	**(6,247)**	**(1,268)**
TOTAL GF Balance + Earmarked Reserves	**(10,110)**	**(11,579)**	**(11,424)**	**(8,007)**	**(3,028)**

Table 10 – Summary Medium Term Financial Forecast

MTFS Summary	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Net Service Revenue Expenditure	17,296	17,296	17,296	17,296
Corporate Items/Non Service Income & Expenditure	(927)	(232)	395	348
Transfers to/(from) earmarked reserves	(872)	(1,460)	(189)	(189)
Provision for Inflation	0	629	1,268	1,903
Service + Corporate Items	**15,497**	**16,233**	**18,769**	**19,357**
Budget Pressures	518	608	384	384
Technical Adjustments	0	0	0	0
Risk Items	0	0	0	0
Savings and Transformation Plan items	(325)	(1,306)	(1,517)	(1,732)
Draft Net Revenue Budget	**15,690**	**15,535**	**17,636**	**18,009**
TOTAL Funding	**(16,352)**	**(13,996)**	**(12,807)**	**(11,727)**
Budget Gap / (Surplus)	**(662)**	**1,539**	**4,829**	**6,282**

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, there is considerable uncertainty over the medium-term. Forecasts of funding for 2026/27 are based on the assumption that that reforms to Local Government Finance, as set out in the consultation document, are delivered in full.

8.3 Estimating the level of Government funding for 2026/27 and beyond is difficult as there is no certainty around the timing and scale of the transition from the current finance system for local government. Coupled with Local Government Reform which will see Shire District Councils such as Cotswold abolished, there has never been greater uncertainty to the forecasts.

8.4 For the purposes of the MTFS, it has been assumed that the pace of reform will be relative quick (i.e., transitional arrangements will be in place for a shorter period of time than has been the case with previous reforms of local government finance). This is shown in the funding estimates for 2026/27 to 2028/29 as damping. This funding mechanism is provided to ensure that funding reductions are managed over a defined period of time so that no Council would see a reduction of more than x% (e.g. no more than say 5% or 10% in any given year). For MTFS modelling purpose a floor of 10% has been assumed. Estimates for the later MTFS period should, therefore, be treated with a high degree of caution.

8.5 The pace of Local Government Reform in Gloucestershire will ultimately determine the level of transitional arrangement funding provided.

Business Rates

8.6 The Council was required to finalise its Business Rates estimates for 2025/26 and its initial estimate of any surplus or deficit for 2024/25 by 31 January 2025. 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.

8.7 Forecasting business rates income is complex with the impact of the lower level of Leisure, Retail and Hospitality relief outlined in the Autumn Statement and the implementation of shorter 3-year revaluation periods contributing to the level of uncertainty around forecasts for the medium-term.

8.8 The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2024. 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.

8.9 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.

8.10 The draft forecast for business rates included in this report, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs. The assumption made in the MTFS is the Council's share of retained business rates is based on a draft assessment of the NNDR1 data and is estimated at £5.117m in 2025/26. The final estimate will not be available until 31 January 2025, and it is recommended that a delegation is provided to the Council's Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Finance and Transformation 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.

8.11 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.

8.12 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.

8.13 The draft position on the Collection Fund is a deficit of £x of which £0.809m is Cotswold's share. In order to mitigate the impact this would have on the 2025/26 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.

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

Table 11 – Business Rates Forecast (NOT FINAL)

Derivation of BRR Figures for MTFS	2024/25 Final (£'000)	2025/26 Draft (£'000)
Non-Domestic rating income (NNDR1 Estimate)	13,495	14,754
Less: Tariff Payment to Government	(13,332)	(13,444)
Less: Estimated Levy Payment to Government	(1,747)	(1,628)
Add: Renewable Energy schemes	117	268
Estimated Retained Business Rates	**(1,467)**	**(50)**
Section 31 Grant Payable	5,354	4,199
Multiplier Cap	1,127	968
TOTAL Funding from Business Rates	**5,014**	**5,117**
Assumed BRR included in MTFS	**5,014**	**5,117**

Gloucestershire Business Rates Pool

8.15 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth. The Pool Levy rate increased from 15% to 21% because of the 2023/24 revaluation resulting in a lower proportion of business rates growth being retained in the County.

8.16 As advised to members in the 2025/26 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update report, the composition of the Pool was amended to maximise the amount of pool benefit retained in Gloucestershire. The current pooling arrangements (which includes all 6 Districts Council and the County Council) was revoked. New pooling arrangements were approved by the Secretary of State in December 2024 which excludes Cheltenham Borough Council.

8.17 4Given the purpose of the Gloucestershire Pool is to share benefit and maximise the retention of business rates locally, the local distribution agreement has been updated to ensure that Cheltenham receives benefit as if it were a member of the formal business rates pool using the current allocation basis in place

8.18 Any windfall gain associated with the Business Rates Pool will be allocated to the Business Rates Risk reserve and/or Financial Resilience reserve.

8.19 There remains uncertainty over the future of Business Rates Pooling beyond 2025/26. Local Government Finance reforms will include a reset to business rates alongside the shorter 3-year valuation periods. Therefore, there is a risk that Pooling may not be financially viable as there may be too much risk and too little reward.

New Homes Bonus (NHB)

8.20 New Homes Bonus will continue for a further year in 2025/26 with an allocation of £0.820m included in the provisional settlement. As has been the case over the last four financial years, 2025/26 is a one-year only allocation and does not give rise to an ongoing legacy payment. The Government has indicated it will set out the future position of New Homes Bonus ahead of the 2026/27 local government finance settlement.

Funding Floor (formerly known as Funding Guarantee)

8.21 The provisional settlement includes the Funding Floor protects all local authorities from a year-on-year reduction in CSP. The funding floor assumes authorities use the maximum of their council tax flexibilities but excludes any grants rolled into CSP in 2025-26. The Funding Floor provides a lower level of support than the Funding Guarantee and only ensures that all councils will see at least a cash-flat (i.e. 0% change) core spending.

8.22 For Cotswold, the value of the Funding Floor is £2.230m for 2025/26 with no assumption in the MTFS is for further support over the MTFS-period. Whilst this funding is welcomed, it falls short of mitigating the inflationary pressures on the Council's budget.

Other Grants/Funding

8.23 The Government has abolished the Rural Services Delivery Grant (RSDG) that recognised the cost of service delivery in rural areas. This provided £0.820m of funding in 2024/25 with no clear indication at this stage as to how rural councils will be supported financially in future settlements.

8.24 Revenue Support Grant (RSG) of £0.164m for 2025/26 has been provided in the provisional settlement. Since 2024/25, this is a consolidation of 4 previous grants which maintain their existing distribution. These are the Independent Living Fund; Council Tax Discounts – Family Annex; Local Council Tax Support Administration Subsidy; and Natasha's Law. The value of the rolled-in grants is broadly equal to the RSG allocation and should be viewed as replacing existing distinct funding streams rather than 'new' funding.

Extended Producer Responsibility [EPR]

8.25 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.

8.26 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

8.27 The amount allocated to Cotswold for 2025/26 is £1.502m

8.28 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.

8.29 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.

8.30 For the purposes of the MTFS, an assumption has been made that future funding would be at 50% of the 2024/25 allocation. This will need to be reviewed during 2025/26 as the scheme for future years is developed by the scheme administrator.

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

Table 12 – Funding assumed in MTFS forecast

Funding included in MTFS	Final 2024/25 (£'000)	Provn 2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
Council Tax	6,597	7,065	7,361	7,661	7,967
Business Rates Retention (net of risk + returned fu	5,014	5,117	2,304	2,435	2,571
Rural Services Delivery Grant	818	0	0	0	0
Lower Tier Services Grant	0	0	0	0	0
Funding Floor	2,231	2,230	0	0	0
Services Grant	13	0	0	0	0
New Homes Bonus	287	820	0	0	0
New Homes Bonus (Returned Funding)	0	0	0	0	0
Revenue Support Grant (RSG)	144	164	(1,704)	(1,723)	(1,745)
(Negative) Revenue Support Grant	0	0	0	0	0
Damping	0	0	5,141	3,541	2,041
pEPR		1,502	751	751	751
Employer's National Insurance - compensation		142	142	142	142
Collection Fund - CT	28	119	0	0	0
Collection Fund - NNDR	445	(809)	0	0	0
TOTAL Funding	**15,577**	**16,352**	**13,996**	**12,807**	**11,727**
Proposed Net Revenue Budget	**15,061**	**15,690**	**15,535**	**17,636**	**18,009**
Budget shortfall/(surplus)	**(516)**	**(662)**	**1,539**	**4,829**	**6,282**

Council Tax

8.32 The referendum threshold for 2025/26 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

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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.

8.33 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.

8.34 A £5 increase in Council Tax formed part of the Budget Consultation undertaken in January 2025. 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?

8.35 The response to this question was supportive. 69.6% agreed or strongly agreed with the proposed Council Tax increase. 28.3% disagreed or strongly disagreed whilst 2.2% provided no answer.

8.36 A Council Tax rise of £5 increases the Band D rate from £153.93 to £158.93 and will generate an additional £0.469m 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 £1.370m over the MTFS period including 2025/26 (£0.901m 2026/27 to 2028/29).

Table 13 – Council Tax Income

	2025/26	2026/27	2027/28	2028/29
Taxbase	44,456.16	44,900.72	45,349.73	45,803.23
Assumed Band D rate (£)	158.93	163.93	168.93	173.93

	2025/26	2026/27	2027/28	2028/29
Precept (£'000)	7,065	7,361	7,661	7,967
Increase (£'000)	469	295	300	306
Cumulative Increase (£'000)	755	1,050	1,350	1,656

8.37 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.

8.38 The Government provided guidance to local authorities in November 2024 setting out exceptions to council tax premiums on second and empty homes. These regulations and guidance come into force on 01 November and have effect from 01 April 2025.

8.39 The initial estimate provided in the March 2024 report indicated that £3.4m of additional Council Tax would be generated with Cotswold District Council's share being £0.246m. The report proposed that the District Council's share of the additional revenue is set aside in the Council Priority: Housing Delivery reserve to facilitate the provision for additional affordable housing units across the district.

8.40 This proposal is subject to ongoing review by the Leader and Deputy Leader, in consultation with the Deputy Chief Executive to ensure the level of funding available to support the Council priority and the Council's wider financial sustainability objectives are met.

8.41 In assessing the likely level of additional Council Tax the Second Homes premium would generate, a prudent estimate has been taken due to the level of exemption that would be applied to certain properties across the district (i.e. those around Cotswold Lakes).

8.42 The Council will need to liaise with second homeowners and Parish and Town Councils during 2025 to ensure the taxbase reflects the number of second homes in the district. The prudent estimate used for 2025.26 Council Tax setting purposes is based on information on second homes within the Council Tax revenue system. This may not be a complete record of all the second homes as there has been no requirement for this data to be provided by homeowners.

8.43 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.

8.44 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

8.45 Council approved the Council Tax Support scheme for 2025/26 at their meeting on 27 November 2024. Revisions to the scheme included an increase to income bands within the scheme of 4% to give support to households through the cost-of-living crisis.

8.46 The cost of the scheme will increase by approximately £28k 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

8.47 The Taxbase for 2025/26 has been estimated at 44,546.16 and represents an increase of 1,600.83 (3.74%) over the 2024/25 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 Second Homes premium), the increase is 785.07 (1.83%).

8.48 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)

8.49 The Council Tax Collection Fund is estimated to be in surplus by the end of the current financial year by £0.990m. Cotswold District Council's share is £0.119m and is included within the Council Tax Collection Fund deficit line within the MTFS.

8.50 Collection rates for Council Tax have remained resilient throughout 2024/25. At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available collection data suggests that the Council is above the collection rate for the same period in 2023/24 and the total collected is forecast to be above the level precepted against the Collection Fund.

8.51 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 2025/26 TO 2028/29

9.1 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.

9.2 The Council has set out its Capital Programme for the period 2025/26 to 2028/29 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 £4.0m in 2025/26 is proposed. Total expenditure over the programme period is estimated at £18.1m (£25.4m 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.

Table 14 – Summary Capital Programme

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	1,491	0	500	0	0	1,991
Housing/Planning and Strategic Housing	2,405	1,718	1,839	2,230	1,775	9,967
Environment	1,606	1,132	5,255	1,826	205	10,025
ICT, Change and Customer Services	150	350	150	150	150	950
UK Rural Prosperity Fund	752	0	0	0	0	752
UK Shared Prosperity Fund Projects	134	327	0	0	0	461
Land, Legal and Property	517	500	0	0	0	1,017
Transformation and Investment	257	0	0	0	0	257
	7,312	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

9.4 The capital programme includes investment in the Council's Leisure Centres, supporting the delivery of Housing in the District, responding to the Climate emergency and investment in new waste collection vehicles to support the service.

9.5 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.

9.6 The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).

9.7 At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.

9.8 The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval. However, with the current relative high cost of borrowing, the business cases for new projects will need to be robust, include adequate headroom to cover capital financing costs, and be subject to additional challenge from officers prior to member consideration.

Table 15 – Summary Capital Financing Statement

	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£m)	TOTAL Budget (£'000)
Capital receipts	3,628	2,052	3,184	2,476	355	11,695
Capital Grants and Contributions	3,269	1,975	1,689	1,731	1,775	10,439
Community Municipal Investment	415	0	0	0	0	415
Prudential Borrowing	0	0	2,871	0	0	2,871
TOTAL	**7,312**	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

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 2025/26 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 nature and scope of local government funding from the Government in 2026/27 and more substantially, the impact of Devolution and Local Government Reorganisation over the MTFS-period.

10.3 It is very difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded will need to be consulted on and modelled prior to the 2026/27 Local Government Finance Settlement. Therefore, considerable risk and uncertainty remains in the estimates for 2025/26 and beyond.

10.4 However, the MTFS has for a number of years included a significant reduction in the level of retained business rates income from 2026/27. This is due to the Business Rates reset that will be part of Local Government Finance Reform. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).

10.5 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 2025/26 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 2025/26 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
- Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council.
- Cost of services where the Council is exposed to risk sharing in contract costs.
- Energy cost pressures

10.6 A third key risk is around the impact from the Publica Review. As set out in the report, Phase 2 of the transition will increase the cost of services due to increased employer pension contributions and a reduced emphasis on sharing of services. The MTFS has made a broad assumption based on a limited number of services that are being considered for Phase 2. There remains uncertainty around future service transition due to Devolution/Local Government Reorganisation. Cabinet and Council will consider the Phase 2Transition Plan and the financial implications in March 2025.

10.7 For the purposes of the 2025/26 revenue budget and the MTFS, it is assumed the cost of services will remain with the cost envelope set out over the medium-term.

10.8 Inevitably, there are likely to be workforce planning costs arising from the transfer of services under Phase 2. Due to the nature of shared service delivery being more prevalent for Phase 2 services, the timing of workforce planning costs and mitigation measures is difficult to estimate with any certainty. Therefore, it is appropriate to set out the approach the Council will take to financing these costs over the transition period.

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

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

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

- Local Government Finance Reforms due from April 2026.
- Uncertainty around the timing of Devolution/Local Government Reorganisation.

- 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 around Local Government Funding Reforms, the continued pressure on households from the Cost-of-Living crisis, and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.

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 £7.744m in 2025/26 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.

11.5 The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £153.93 per annum to £158.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.

11.6 Cabinet, with support from the Cabinet Transform Working Group Council will need to further develop the approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. This will need to include consideration of a service design framework for inclusion in the [Publica] Transition Plan to ensure service costs are contained within the financial envelope set out in the MTFS.

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

11.8 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during the MTFS period. Consideration should be given as part of the year-end procedures for 2024/25 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2025/26.

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 set 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			
Medium Term Financial Strategy	**2024/25 (£'000)**	**REV 2024/25 (£'000)**	**2025/26 (£'000)**	**2026/27 (£'000)**	**2027/28 (£'000)**	**2028/29 (£'000)**
Net Service Expenditure Budgets						
Environmental and Regulatory Services	485	620	689	689	689	689
Business Support Services - Finance, HR, Procurement	1,136	1,285	1,555	1,555	1,555	1,555
ICT, Change & Customer Services	2,359	2,423	2,674	2,674	2,674	2,674
Land, Legal & Property	945	829	1,122	1,122	1,122	1,122
Publica CEX	131	139	104	104	104	104
Revenues & Housing Support	615	930	843	843	843	843
Environmental Services	4,830	4,496	4,761	4,761	4,761	4,761
Leisure & Communities	1,918	2,342	2,359	2,359	2,359	2,359
Planning & Strategic Housing	1,947	1,653	1,633	1,633	1,633	1,633
Democratic Services	1,095	1,176	1,366	1,366	1,366	1,366
Retained Services	2,034	2,469	2,178	2,178	2,178	2,178
Reversal of Accounting Adjustments	(1,636)	(1,778)	(1,987)	(1,987)	(1,987)	(1,987)
Net Service Revenue Expenditure	**15,858**	**16,584**	**17,296**	**17,296**	**17,296**	**17,296**
Corporate Items/Non Service Income & Expenditure						
Bad Debt Provision	0	0	0	0	0	0
Non Service Income & Expenditure	111	108	160	160	160	160
Risk and Contract Contingency	200	200	200	200	200	200
Interest Payable	9	9	5	79	139	120
Interest Receivable	(1,346)	(1,333)	(1,302)	(700)	(500)	(500)
Minimum Revenue Provision	12	12	9	27	395	367
Net Transfer from Earmarked Reserves	(871)	(871)	(226)	(226)	(226)	(226)
Revenue Contribution to Capital Outlay (RCCO)	200	0	0	0	0	0
2024/25 Budget Adj - reversal of RCCO	(200)	0	0	0	0	0
Additional Transfer to Earmarked Reserve - TM Risk	100	0	0	0	0	0
Transfer to Business Rates Risk Reserve	959	959	(809)	(1,097)	0	0
Transfer to Workforce Planning Reserve	118	118	0	0	0	0
Transfer Second Homes Premium to Reserve	0	0	130	130	130	130
Transfer to Commercial Property Income Reserve	0	0	37	37	37	37
Transfer from Reserves - Posts	0	0	(174)	(174)	0	0
Transfer to Reserves pEPR	0	0	300	0	0	0
Strategic Housing	0	0	(130)	(130)	(130)	(130)
Reserve adjs Non-Estab [BAL100/B8240]	170	0	0	0	0	0
Adjusted Budget	**(539)**	**(799)**	**(1,799)**	**(1,692)**	**206**	**158**
Contract Inflation	1,200	0	0	485	974	1,482
Pay Inflation	68	0	0	144	293	421
Energy Cost Inflation	(150)	0	0	0	0	0
Adjusted MTFS Position	**1,117**	**0**	**0**	**629**	**1,268**	**1,903**
Service + Corporate Items	**16,437**	**15,786**	**15,497**	**16,233**	**18,769**	**19,357**

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ANNEX B
MEDIUM TERM FINANCIAL STRATEGY

			MTFS Period			
Medium Term Financial Strategy	**2024/25 (£'000)**	**REV 2024/25 (£'000)**	**2025/26 (£'000)**	**2026/27 (£'000)**	**2027/28 (£'000)**	**2028/29 (£'000)**
Budget Pressures and Growth						
Contract Growth	0	0	0	0	0	0
Budget Pressures	0	0	518	608	384	384
Technical Adjustments	77	0	0	0	0	0
Risk Item - Leisure and Culture Procurement, Contracts	0	0	0	0	0	0
Subtotal	**77**	**0**	**518**	**608**	**384**	**384**
Savings and Transformation Plan						
Contract Savings	(150)	(150)	0	0	0	0
Fees and Charges	(777)	0	0	(456)	(667)	(882)
Corporate Savings	0	0	0	(500)	(500)	(500)
Expenditure Savings	(150)	(150)	(300)	(300)	(300)	(300)
Subtotal	**(1,077)**	**(300)**	**(325)**	**(1,306)**	**(1,517)**	**(1,732)**
Net (Savings) or Growth	**(1,000)**	**(300)**	**193**	**(698)**	**(1,133)**	**(1,348)**
Draft Net Revenue Budget	**15,436**	**15,486**	**15,690**	**15,535**	**17,636**	**18,009**
Funded by:						
Council Tax	(6,597)	(6,597)	(7,065)	(7,361)	(7,661)	(7,967)
Business Rates Retention - Local share of retained rates	(5,014)	(5,014)	(5,117)	(2,304)	(2,435)	(2,571)
Rural Services Delivery Grant	(818)	(818)	0	0	0	0
Funding Guarantee (replaced Lower Tier Services Grant)	(2,231)	(2,231)	(2,230)	0	0	0
Services Grant	(13)	(13)	0	0	0	0
New Homes Bonus	(287)	(287)	(820)	0	0	0
Revenue Support Grant / (Negative RSG)	(144)	(144)	(164)	1,704	1,723	1,745
Extended Producer Responsibility (EPR) 2024/25 only	0	0	(1,502)	0	0	0
Extended Producer Responsibility (EPR) 2025/26 onwards	0	0	0	(751)	(751)	(751)
Employers National Insurance compensation	0	0	(142)	(142)	(142)	(142)
Damping (10% floor in funding reduction assumed)	0	0	0	(5,141)	(3,541)	(2,041)
Collection Fund - Council Tax (Surplus) / Deficit	(28)	(28)	(119)	0	0	0
Collection Fund - Business Rates (Surplus) / Deficit	(445)	(445)	809	0	0	0
TOTAL Funding	**(15,577)**	**(15,577)**	**(16,352)**	**(13,996)**	**(12,807)**	**(11,727)**
Budget Gap / (Surplus)	**(141)**	**(92)**	**(662)**	**1,539**	**4,829**	**6,282**

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ANNEX C – BUDGET PRESSURES AND SAVINGS

	MTFS Period			
Budget Pressures and Savings	**2025/26 (£'000)**	**2026/27 (£'000)**	**2027/28 (£'000)**	**2028/29 (£'000)**
Budget Pressures				
External Audit Fees - 10% increase in scale fee and Housing Benefit audit costs	52	52	52	52
Cotswold National Landscape Contribution increase	13	13	13	13
Elections - review of budget provision in context of overspends in 2023/24 and 2024/25	54	54	54	54
Former Bourton VIC - removal of income budget	8	8	8	8
Counter Fraud - 2025/26 planned delivery increase	7	7	7	7
Planning & Strategic Housing - Licences and Subscriptions	36	36	36	36
Waste & Recycling expenditure budgets	44	44	44	44
Business Rates on Council-owned properties	20	20	20	20
CIVICA Software Licence Renewal	31	31	31	31
Trinity Road, Moreton Area Centre	(2)	(2)	(2)	(2)
Legal Service budget (SUP004)	(4)	(4)	(4)	(4)
Environmental & Regulatory Services - Building Control service improvements, Emergency Planning (LRF)	14	14	14	14
Employee Assistance Programme - Spectrum Life	5	5	5	5
Democratic Services	13	13	13	13
Communications - Licences for Social Media and email client software	10	10	10	10
Waste & Recyling - Clinical Sharps budget adjustment	(15)	(15)	(15)	(15)
Car Parks - Utility costs, card processing fees	7	7	7	7
Public Conveniences - contract and utility costs	14	14	14	14
Corporate Costs - Insurance, Subscriptions	21	21	21	21
Bank Charges - volume increase	34	34	34	34
Subtotal	**360**	**360**	**360**	**360**
Income Pressures				
2025/26 Income Pressures - Car Parks (PCNs)	50	50	50	50
2025/26 Income Pressures - Car Parks (Permits/Season Tickets)	40	40	40	40
Income Pressures - Waste & Recycling (Material sales)	44	44	44	44
Subtotal	**134**	**134**	**134**	**134**
TOTAL Budget Pressures	**494**	**494**	**494**	**494**

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ANNEX C – BUDGET PRESSURES AND SAVINGS

	MTFS Period			
Budget Pressures and Savings	**2025/26 (£'000)**	**2026/27 (£'000)**	**2027/28 (£'000)**	**2028/29 (£'000)**
Corporate Savings and Income				
LGPS - Secondary Rate (PIA) (Budget savings)	(196)	(196)	(196)	(196)
Trinity Road - rental income	(25)	(50)	(50)	(50)
Subtotal	**(221)**	**(246)**	**(246)**	**(246)**
Expenditure Savings				
Ubico - Rezoning of Rounds	(59)	(59)	(59)	(59)
	0	0	0	0
Ubico - Street Service review	(150)	(150)	(150)	(150)
Business Rates - Car Parks (reduced liability)	(50)	(50)	(50)	(50)
Service Charges - Trinity Road tenants	(25)	(25)	(25)	(25)
Revenues and Benefits - additional grant funding	(41)	(41)	(41)	(41)
Other budget changes	(2)	(2)	(2)	(2)
Subtotal	**(327)**	**(327)**	**(327)**	**(327)**
Fees and Charges				
Car Parking Fees	(90)	(200)	(293)	(390)
Garden Waste - fee increase	(123)	(241)	(359)	(477)
Planning Fees - Annual uplift	(15)	(15)	(15)	(15)
Subtotal	**(228)**	**(456)**	**(667)**	**(882)**
TOTAL Savings/Additional Income	**(777)**	**(1,029)**	**(1,240)**	**(1,455)**

ANNEX D

CAPITAL PROGRAMME 2025/2026 TO 2028/2029

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	1,491	0	500	0	0	1,991
Housing/Planning and Strategic Housing	2,405	1,718	1,839	2,230	1,775	9,967
Environment	1,606	1,132	5,255	1,826	205	10,025
ICT, Change and Customer Services	150	350	150	150	150	950
UK Rural Prosperity Fund	752	0	0	0	0	752
UK Shared Prosperity Fund Projects	134	327	0	0	0	461
Land, Legal and Property	517	500	0	0	0	1,017
Transformation and Investment	257	0	0	0	0	257
	7,312	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

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ANNEX D
CAPITAL PROGRAMME 2025/2026 TO 2028/2029

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Leisure and Communities						
Investment in Leisure Centres	1,119	0	500	0	0	1,619
CLC Pool Works	80	0	0	0	0	80
Government funded decarbonisation	0	0	0	0	0	0
Cotwold Leisure Centre Decarbonisation [Solar PV and Triple Glazing]	208	0	0	0	0	208
Spa Pool Bourton	34	0	0	0	0	34
Community Project Grant	50	0	0	0	0	50
	1,491	**0**	**500**	**0**	**0**	**1,991**
Housing, Planning and Strategic Housing						
Private Sector Housing Renewal Grant (DFG)	1,700	1,648	1,689	1,731	1,775	8,543
Affordable Housnig - Davies Road MiM (S106)	291	0	0	0	0	291
Cottsway Housing Association Loan	414	0	0	0	0	414
Bromford Joint Venture Partnership	0	70	150	500	0	720
	2,405	**1,718**	**1,839**	**2,231**	**1,775**	**9,968**

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ANNEX D
CAPITAL PROGRAMME 2025/2026 TO 2028/2029

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Environment						
Waste & Recycling receptacles	80	82	84	86	88	420
Provision for financing of Ubico Vehicles	1,169	771	5,171	1,740	117	8,968
In cab technology (Street Cleaning)	0	60	0	0	0	60
Fuel Bunkering (Ubico)	0	60	0	0	0	60
Electric Vehicle Charging Points	79	0	0	0	0	79
On Street Residential Chargepoint Scheme (ORCS)	225	0	0	0	0	225
Public Toilets - Card Payment (bc)	0	34	0	0	0	34
Replace/Upgrade Pay and Display	0	125	0	0	0	125
Changing Places Toilets	53	0	0	0	0	53
	1,606	**1,132**	**5,255**	**1,826**	**205**	**10,024**
Retained and Corporate:						
ICT, Change and Customer Services						
ICT Capital	150	150	150	150	150	750
Planning Documents and Scanning Solution	0	200	0	0	0	200
	150	**350**	**150**	**150**	**150**	**950**

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ANNEX D
CAPITAL PROGRAMME 2025/2026 TO 2028/2029

Capital Programme	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
UKSPF and Rural Prosperity						
UK Rural Prosperity Fund Projects	752	0	0	0	0	752
UK Shared Prosperity Fund Projects	134	327	0	0	0	461
	886	**327**	**0**	**0**	**0**	**1,213**
Land, Legal and Property						
Trinity Road Carbon Efficiency Works (Council March 2022)	370	0	0	0	0	370
Asset Management Strategy	147	500	0	0	0	647
	517	**500**	**0**	**0**	**0**	**1,017**
Transformation and Investment						
Trinity Road Agile Working (Council March 2022) [*Includes Trinity Road Roof Repairs*]	257	0	0	0	0	257
	257	**0**	**0**	**0**	**0**	**257**
TOTAL Capital Programme	**7,312**	**4,027**	**7,744**	**4,208**	**2,130**	**25,420**

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ANNEX D
CAPITAL PROGRAMME 2025/2026 TO 2028/2029

Capital Financing	2024/25 Revised Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
Capital receipts	3,628	2,052	3,184	2,476	355	11,695
Capital Grants and Contributions	3,269	1,975	1,689	1,731	1,775	10,439
Community Municipal Investment	415	0	0	0	0	415
Prudential Borrowing	0	0	2,871	0	0	2,871
TOTAL	**7,312**	**4,027**	**7,744**	**4,207**	**2,130**	**25,420**

COTSWOLD
District Council

ANNEX E
DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

DRAFT ANNUAL CAPITAL STRATEGY 2025/26

1. STRATEGIC CONTEXT AND PURPOSE

1.1 The Council's capital investment programme bring together many aspects of the Council's services and financial planning. This is driven by the Corporate Plan which sets out the Council's drivers in the development and prioritisation of the capital proposals as described below:

- Responding to climate change, including providing electric vehicle charging points, securing investments in renewable energy and support local community led and community owned renewable energy projects.
- Economic regeneration developments including attracting investment in infrastructure to support better broadband and 5G coverage and using our investments and assets to boost the local economy.
- Providing socially rented homes by delivery of social rented and affordable accommodation across the District.
- Maximising opportunities for income generation within projects that support the key priorities of the Council.

1.2 The Council has historically been able to manage funding its capital programme through the use of capital receipts, but external borrowing will underpin the planned developments in future years. The Council expects to fund the majority of its capital programme going forward largely from prudential borrowing and use of capital receipts. This discussed in more detail within Section 3 of this report.

2. CAPITAL RESOURCES AND FINANCING

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

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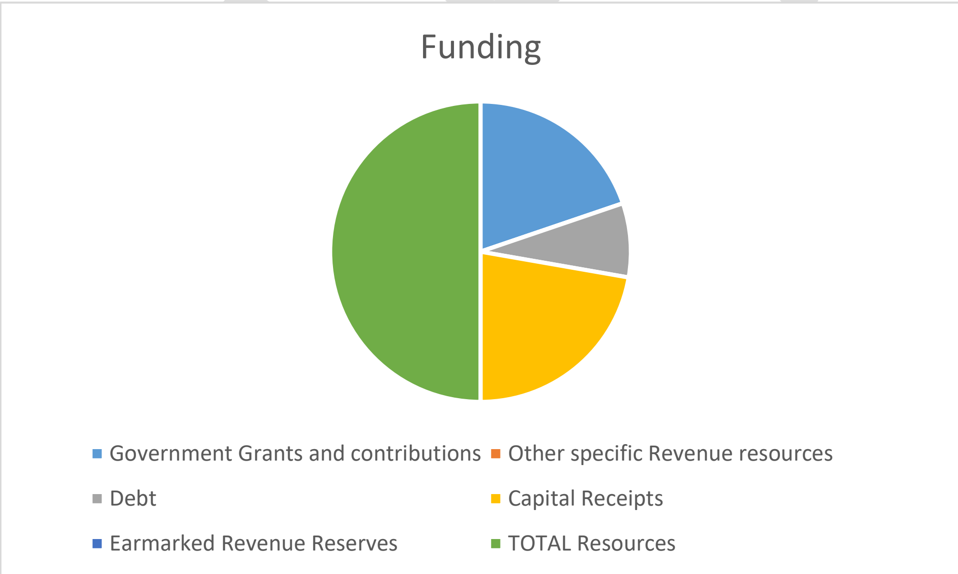
DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

2.2 Resources of £18.2m have been identified to fund the four-year capital programme from 2025/26 to 2028/29, with £2.9m of this being through prudential borrowing. The Council will ensure that any borrowing will be undertaken in accordance with the Prudential Code for local authority capital finance and within the framework and policies set out in this capital strategy.

2.3 Revised or additional capital budgets funded from corporate resources may be approved by Cabinet or Council, in accordance with the Council's Financial Rules. Additional prudential borrowing must be approved by full Council.

2.4 A breakdown of the resources utilised to fund the capital programme is shown in **Chart 1** and **Table 1** below:

Chart 1 – Resources to fund the Capital Programme 2025/26 to 2028/29



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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

Table 1 – Capital Financing

	2023/24 Actual (£m)	2024/25 Forecast (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)
Specific Resources						
Government Grants and contributions	1.8	3.3	2.0	1.7	1.7	1.8
Other specific Revenue resources	0.0	0.0	0.0	0.0	0.0	0.0
SUBTOTAL Specific Resources	**1.8**	**3.3**	**2.0**	**1.7**	**1.7**	**1.8**
Corporate Resources						
Debt	0.1	0.4	0.0	2.9	0.0	0.0
Capital Receipts	4.1	3.6	2.1	3.2	2.5	0.3
Earmarked Revenue Reserves	0.0	0.0	0.0	0.0	0.0	0.0
SUBTOTAL Corporate Resources	4.2	4.0	2.1	6.1	2.5	0.3
TOTAL Resources	**6.0**	**7.3**	**4.1**	**7.8**	**4.2**	**2.1**

3. CAPITAL EXPENDITURE

3.1 Capital expenditure is where the Council spends money on assets, such as land, property, or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are treated as operational expenditure and charged to the revenue budget. For details of the Council's policy on capitalisation, see the Council's accounting policy which are contained with the annual Statement of Accounts. 2023/24 Statement of Accounts

3.2 Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £4.1m in 2025/26 and £18.1m over the four-year period to 2028/29 as summarised below in **Table 2**:

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

Table 2 – Estimates of Capital Expenditure

Spend by Council Priority Area	2023/24 Actual (£m)	2024/25 Forecast (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)	2028/29 Budget (£m)
Responding to Climate Emergency	0.1	0.9	0.0	0.0	0.0	0.0
Suporting Communities	0.1	1.3	0.0	0.5	0.0	0.0
Delivering Good Services	1.0	1.5	1.9	5.4	2.0	0.4
Delivering Housing	4.4	2.4	1.7	1.8	2.2	1.8
Supporting the Economy	0.1	0.9	0.3	0.0	0.0	0.0
SUBTOTAL Priority Areas	**5.7**	**7.1**	**4.0**	**7.7**	**4.2**	**2.1**
Capital investments	0.3	0.3	0.0	0.0	0.0	0.0
TOTAL	**6.0**	**7.3**	**4.0**	**7.7**	**4.2**	**2.1**

3.3 New projects and priorities are identified through the Council's financial planning process and are added to the capital programme. Further detail on planned expenditure in each of the Council Priority areas is included within Annex D of the Medium-Term Financial Strategy.

3.4 The Council manages capital risks through its business case appraisal and approval arrangements. The Council will need to consider the best approach for the review of capital business cases before recommendation for approval of expenditure by Cabinet or Council. Capital programme expenditure and treasury management performance is regularly monitored and reported to Members at the Audit 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 £1.6m per year.

5. CAPITAL FINANCING- INTERNAL RESOURCES

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

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 it 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 have 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 delivery Council Priorities, businesses cases are presented to the Cabinet or Council for approval.

5.3 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts "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	2023/24 Actual (£m)	2024/25 Forecast (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)
Asset sales*	0.2	0.6	0.0	0.0	0.0
Ubico Loans repaid for Vehicle purchase	0.9	0.8	0.9	0.8	0.8
Other Loans repaid	1.3	0.7	0.0	0.0	0.0
TOTAL	**2.4**	**2.0**	**0.9**	**0.8**	**0.8**

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

*** Asset sale receipts includes receipts from "Right to Buy" asset disposals from Bromford Housing Association and the disposals outlined in paragraph 5.3.*

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 are expected to complete in the 2024/25 financial year. At this stage, no other significant disposals are planned between 2024/25 and 2026/27 but in light of the Asset Management Strategy this will be an evolving position.

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

Financing from Earmarked Reserves

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

Table 4: Capital Programme Funded by earmarked reserves

Reserve Funding	2024/25 Forecast (£m)	2025/26 Forecast (£m)	2026/27 Budget (£m)	2027/28 Budget (£m)
Service Improvements	0.0	0.0	0.0	0.0
Investment	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**

6. CAPITAL FINACING – 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.

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

6.3 The Council has a low to moderate appetite for taking financial risk and this is reflected in this Capital Strategy. Treasury Management risks are managed through the Treasury Management Strategy and Policy

Borrowing Strategy

6.4 The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility to adapt to changes in the future. These objectives are often conflicting, and the Council will therefore seek to strike a balance between lower-cost short-term loans and long-term fixed rate loans where the future cost is known but higher.

6.5 Local Authorities must not borrow more than or in advance of their needs purely to profit from the investment of extra sums borrowed. The Council plans to borrow in 2026/27 to invest in new capital schemes. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.

6.6 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

6.7 The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that debt should remain below the CFR, except in the short term. The CFR for each financial year is set out in **Table 5** below and shows that the estimated borrowing complies with this.

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

Capital Financing Requirement	2023/24 Actual (£m)	2024/25 Budget (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)	2027/28 Forecast (£m)
Investment in Council Priorities	0.1	0.5	0.5	3.0	2.6
Capital Investments	0.0	0.0	0.0	0.0	0.0
TOTAL CFR	**0.1**	**0.5**	**0.5**	**3.0**	**2.6**

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

Liability Benchmark

6.8 To compare the Council's estimated borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £13m at each year-end. The liability benchmark is currently -£11m and is forecast to rise to £1.14m over the next three years.

6.9 **Table 6** below shows that the Authority expects to remain borrowed above its liability benchmark until 2026/27. This is because a deliberate decision was made to borrow additional sums through a Community Municipal Investment to give local people a chance to invest in a cleaner, greener, healthier future for the Cotswolds.

Affordable Borrowing Limit

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

Table 6 – Forecast Debt and Prudential Indicators

	Actual as at 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)	Forecast to 31/03/2027 (£m)	Forecast to 31/03/2028 (£m)
Forecast outstanding borrowing / Debt	(0.36)	(0.26)	(0.16)	(0.05)	0.00
Capital Financing Requirement	0.07	0.48	0.47	2.97	2.57
Liability benchmark	(11.20)	(10.37)	(8.46)	(0.45)	1.14
Authorised limit	10.00	10.00	10.00	10.00	10.00
Operational boundary	5.00	5.00	5.00	5.00	5.00

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

Revenue Budget Implications

6.12 Although capital expenditure is not charged directly to revenue, the interest payable on loans and provision for repayment of loans (MRP) will be. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. This charge is known as financing costs. The proportion of financing costs to net revenue stream, i.e., the amount funded from Council Tax, Business Rates and General Government Grants is shown in **Table 7.**

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

Financing costs	Actual as at 31/03/2024	Forecast to 31/03/2025	Forecast to 31/03/2026	Forecast to 31/03/2027	Forecast to 31/03/2028
Financing costs (£m)	0.012	0.012	0.014	0.107	0.534
Proportion of net revenue stream	0.09%	0.07%	0.08%	0.76%	4.17%

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

6.14 Further details on the revenue implications of capital expenditure are covered in section 5 of the 2025/26 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report. [Link to Cabinet Report].

Sustainability

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

7. TREASURY MANAGEMENT

7.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved.

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DRAFT ANNUAL CAPITAL STRATEGY 2025/2026

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 £0.3m of borrowing at an average interest rate of 2.2% and £29m of treasury investments at an average rate of 4.68%

7.3 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

7.4 The Authority's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy, and the Authority may request its money back at short notice.

7.5 Further details on treasury investments are included in Section 4 of the Treasury Management Strategy [Link to Cabinet Report Annex]

7.6 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included within **Table 4a** and Section 7 of the Treasury Management Strategy [Link to Cabinet Report Annex]

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 £2.1m 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: [Link to Cabinet Report Annex]

9. COMMERCIAL ACTIVITIES

9.1 Commercial investments or activities are those the Council invests in purely for financial gain. With Government financial support for local public services declining, the Authority has previously invested in commercial property purely or mainly for financial gain. Total commercial property investments are currently valued at £4.875m, with the largest being £1.4m (Cirencester town centre property leased as retail units) at 31 March 2024 providing a net return after all costs of 7.18% (forecast 4.42% in 2025/26).

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 for ensuring that adequate due diligence is carried out before an investment in made.

9.4 Further details on commercial investments and limits on their use are included in Section 5 of the Investment Strategy.

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

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PI: Net Revenue Stream	2023/24 Actual (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)	2026/27 Forecast (£m)	2027/28 Forecast (£m)
Total net income from service and commercial investments (£m)	0.34	0.27	0.37	0.40	0.41
Proportion of net revenue stream	2.49%	1.70%	2.18%	2.87%	3.19%

10. OTHER LIABILITIES

10.1 In addition to debt of £0.3m detailed above, the Authority is committed to making future payments to cover its pension deficit (valued at £12m). 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, 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 discretional liabilities are taken by the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by finance and reported quarterly to Cabinet.

11.8 Advisers will be used where necessary to ensure that the Council is provided with sufficient skills and understanding to support robust decision making. In particular, the Council's treasury management adviser (Arlingclose) can provide support in relation to financial investments.

11.9 Officer and Member training will be available through the Council's treasury advisers. Information relevant to investment decisions will form part of Council decision reports to members. Due diligence requirements for investments will ensure that officers are aware of the core principles of the prudential framework and local authority regulatory requirements. These arrangements will support the capacity, skills and culture of the Council in making and managing investments for service and commercial purposes.

12. MANAGEMENT OF THE CAPITAL PROGRAMME

12.1 In the above context of needs and resources, the Council has developed policies and high-level processes to ensure the effective management of capital. This will be overseen by the Council through strong governance and assurance processes for capital planning, capital appraisal and approval, project management, and capital monitoring and review.

12.2 Service managers contribute annually, in the autumn, to the Council's revenue budget and capital programme. The Finance Team collates proposed changes to the Capital Programme for consideration by the Cabinet as part of the Council's budget setting process. The financing cost (which can be nil for projects funded from Council resources or external grants) is included in the Medium-Term Financial Strategy and detailed budgets for the forthcoming financial year. The Council's Overview and Scrutiny Committee considers both the Medium-Term Financial Strategy and the detailed budget. The comments of the Overview and Scrutiny Committee are reported to Cabinet when the Medium-Term Financial Strategy and detailed budget proposals are considered. Cabinet recommends the final Capital Programme and revenue budgets to Council in February each year.

12.3 The Council will need to consider the best approach for the consideration of capital business cases for projects which support the priorities of the Council prior to recommendation for approval of expenditure by Cabinet or Council. For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2025 [link to Cabinet report].

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, Publica Finance, Group Manager and Strategic Director staff will support Council Member governance structures in ensuring that where risks are taken, they are fully understood and proactively managed.

12.6 The staff responsible for making capital expenditure, borrowing and investment decisions are professionally qualified and experienced. Use is also made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors and other specialist advisors to support on specific transactions as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to the relevant skills and knowledge when required.

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

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ANNUAL MINIMUM REVENUE PROVISION STATEMENT

13. MRP STATEMENT 2025/26

13.1 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.

13.2 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.

13.3 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.

13.4 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.

13.5 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. 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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13.6 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.

13.7 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.

13.8 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.

13.9 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.

13.10 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.

13.11 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 the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

13.12 At the commencement of 2024/25 the Council had, a Capital Financing Requirement (CFR) of £0.071m in relation to capital expenditure incurred in 2022/23 and 2023/24 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 in 2023/24 and further charges will be made in 2024/25 and future years.

13.13 Capital expenditure incurred during 2025/26 which is financed from the CMI will not be subject to MRP charge until 2026/27.

13.14 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2025, the MRP budget for 2025/26 has been set at (£0.09m).

13.15 **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 MANAGEMENT AND NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2025/26

DRAFT ANNUAL TREASURY MANAGEMENT STRATEGY 2025/26

1. INTRODUCTION

1.1 This report sets out the Treasury Management Strategy and policy for 2025/26. 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

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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 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 2025/26.

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 Appendices 1-A to this Strategy.

2. PURPOSE OF TREASURY MANAGEMENT

2.1 The 2025/26 Treasury Management Strategy has been developed with the following key aims:

- To outline how the Council will manage and invest its money to ensure it will have the financial resources to support the key priorities outlined in its Corporate Strategy.
- To set out key principles on which borrowing and investment decisions are made, including how security and risk are assessed.
- To present the arrangements for managing and monitoring treasury management decisions, including assessment of outcomes and the alignment to the Corporate Strategy.

3. TREASURY MANAGEMENT STRATEGY

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

"To assist the achievement of the Council's service objectives by obtaining funding and managing the Council's debt and treasury investments at a net cost which is as low as

possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."

3.2 The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

3.4 Therefore, for the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.

3.5 It is not possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:

- Interest rate risk - the risk that future borrowing costs rise
- Credit risk - the risk of default in a Council investment
- Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed.

3.6 The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI) which targeted a £0.500m fundraise closed on the 16 August 2022, fully funded by over 450 investors. As of 1 January 2025 the Council therefore holds a £0.313m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments at a rate of 2.2% (including management fees). The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCPs) around the district to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.

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

3.8 As a result, the approach to risk must be implemented flexibly in the light of changing market circumstances.

4. WHY AND HOW WE INVEST OUR MONEY

4.1 The revised CIPFA Prudential and Treasury Codes recommend that councils' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local Council investment:

- Treasury management investments, which are taken to manage cash flows and as part of the Council's debt and financing activity.
- Commercial investments (including investment properties), which are taken mainly to earn a positive net financial return.
- Service investments, which are taken mainly to support service outcomes.

4.2 The Council's Investment Strategy outlines the principles and arrangements in place for the second two categories of investment. The Treasury Management Strategy focuses on the first category. The following paragraphs set out the Council's policy for these 'treasury management' investments.

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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 £22m to £42m due to timing differences between income and expenditure. The average forecast investment balance for 2025/26 is estimated to be around £27.5m.

4.4 On the 30 September 2024, the Council held £28.9m of treasury investments which are outlined in Table 1.

Table 1 – Treasury investments as of 30 September 2024

Treasury Investments	**30th September Actual Portfolio £m**	**30th September Average Rate £%**
Money Market Funds/Call Accounts and other pooled funds	5.8	5.14
Banks	1.5	4.91
Short Term Investments – Bank of England DMADF	9.9	5.10
CCLA Property Investment Management	2.1	4.50
CCLA Diversified Income	1.0	3.09
Schroders Unit Trusts Ltd	0.9	5.35
M&G Securities Ltd	1.8	4.96
Ninety One (formerly Investec)	1.9	4.37
Columbia Threadneedle Fund	1.9	3.00
Federated Cash Plus Fund	1.2	N/A
Fundamentum Housing REIT	1.0	3.01
Total treasury investments	**29.1**	**4.92**

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

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Table 2 Forecast investments over the next three financial years

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Short term holdings					
Call Accounts	3.098	0.000	0.000	0.000	0.000
MMFs	12.138	9.000	5.995	1.000	1.200
Short Term Deposits	1.141	1.500	3.000	0.000	0.000
Current Account	0.544	0.500	0.100	0.100	0.100
Total Short term	**16.921**	**11.000**	**9.095**	**1.100**	**1.300**
Longer term holdings					
Pooled Funds	10.500	10.500	10.500	10.500	8.500
REIT	1.000	1.000	1.000	1.000	1.000
Cash + Fund	1.000	1.000	1.000	1.000	1.000
Total Longer term	**12.500**	**12.500**	**12.500**	**12.500**	**10.500**
TOTAL INVESTMENTS	**29.421**	**23.500**	**21.595**	**13.600**	**11.800**

4.6 The Council's policy on treasury investments, in line with the CIPFA code, is to prioritise security and liquidity over yield. This focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely to minimise risk of loss. Money held for the longer term is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both short term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy. The Council is also able to request the return of its funding at short notice with these pooled funds. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing inflation rate, in order to maintain the spending power of the sum invested.

4.7 Following a sustained period of high interest rates, central banks began to reverse course toward the second half of the 2024/25 financial year. The Bank of England (BoE) lowered the base rate to 4.75% in November 2024, following a previous reduction to 5% in August 2024. The Bank is signalling that future cuts will likely to be gradual and cautious to manage 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 1-B.

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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 governmen	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 whole lowest published long-term credit rating is no lower than A-*

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.

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.

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5. HOW WE BORROW MONEY

5.1 As outlined in paragraph 3.6 at 1st January 2024, the Council holds a £0.313m 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 2025/26

5.3 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing, see Table 4a. This assumes that cash and investment balances are kept to a minimum level of £13m at year end to maintain sufficient liquidity but minimise credit risk.

5.4 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

5.5 The total forecast net borrowing against the CFR and liability benchmark is set out in the Table 4 and Table 4a below for the period of the Medium-Term Financial Strategy.

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Table 4 – Forecast Borrowing Requirement £m

	Actual 31/03/2024 (£m)	Forecast 31/03/2025 (£m)	Forecast 31/03/2026 (£m)	Forecast 31/03/2027 (£m)	Forecast 31/03/2028 (£m)
CFR	0.07	0.48	0.47	2.97	2.57
Less Outstanding Borrowing	-0.36	-0.26	-0.16	-0.05	0.00
Internal Borrowing	**-0.29**	**0.22**	**0.31**	**2.91**	**2.57**
Usable reserves	-22.18	-21.35	-19.43	-13.92	-11.93
Working capital	-2.08	-2.50	-2.50	-2.50	-2.50
Investments	**-24.56**	**-23.63**	**-21.62**	**-13.50**	**-11.86**

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

	31.3.24 Actual	31.3.25 Estimate	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
CFR	0.07	0.48	0.47	2.97	2.57
Less Balance Sheet Resources	-24.27	-23.85	-21.93	-16.42	-14.43
Net Loans Requirement	**-24.20**	**-23.37**	**-21.46**	**-13.45**	**-11.86**
Plus Liquidity Allowance	13.00	13.00	13.00	13.00	13.00
Liability Benchmark	**-11.20**	**-10.37**	**-8.46**	**-0.45**	**1.14**

5.6 This benchmark is currently £-11 million, reflecting the fact that there is no requirement to undertake external borrowing and its cash balances are invested through application of the Treasury Management Strategy. Over the next two years, the liability benchmark moves to £1.14 million reflecting a use of capital receipts to partially fund the Capital Programme and need to externally borrow as represented in table 4.

Borrowing Strategy

5.7 This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long-term borrowing.

5.8 The borrowing will be required to fund significant investments into the Council's key priorities as outlined in the Corporate Strategy, the key priorities are outlined below:

- Delivering Good Services
- Responding to the Climate Emergency.
- Delivering Housing
- Supporting Communities
- Supporting the Economy

5.9 The Council's main objective when borrowing money is to strike a balance between securing low interest rates and certainty of costs over the period for which funds are required.

5.10 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources or to borrow short term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the time limits set in the treasury management prudential indicators, see below.

5.11 By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of doing this will be monitored regularly against the potential for incurring additional costs by deferring borrowing into the future when long-term borrowing rates are forecast to rise modestly, even if this causes additional cost in the short term.

5.12 The Council may also borrow short term loans to cover unplanned cash flow shortages.

Sources of Borrowing

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

5.14 The **UK Municipal Bonds Agency Plc** was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital market and lends proceeds to local authorities. This is a more complicated source of finance that the PWLB for two reasons; borrowing authorities are required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and Full Council.

5.15 **LOBOs:** The Council currently does not hold any LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.16 **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators.

5.17 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5.18 **Local Climate Bonds /Community Municipal Investments** are a form of debt/loan-based crowdfunding. Community Bonds are issued by a council corporate body, with residents and general public investors providing capital on the basis of receiving a financial return. The majority of community bonds are typically linked in some form to environmental or social criteria and provide tangible benefit to the local community beyond just financial. Details of the Council's Community Municipal Investment are outlined in paragraph 3.6.

5.19 The Council will continue to monitor market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long-term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others and sale and leaseback arrangements.

5.20 The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Section 7.

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

6. MONITORING TREASURY MANAGEMENT INVESTMENTS

6.1 The CIPFA guidance for Treasury Management in the Public Services (2021 edition), requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.

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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 information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.

6.5 Where deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt management Office or invested in government treasury bills or other local authorities, as decided by the Deputy Chief Executive Officer.

6.6 In order to monitor this, the Council has set cash limits on the credit quality of the investments and their limits as can be seen in Table 3, section 4.10 above.

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6.7 The Council's revenue reserves available to cover investment losses are forecast to be £4.4m on 31 March 2025. In order to ensure that no more than a maximum of available reserves of 25% are therefore put at risk in the case of single default (other than the UK Government), the total lending limit will be £3m. A group of banks under the same ownership will be treated as a single organisation. Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as in Table 5 below. Investments in pooled funds and multilateral development banks do not count against the limit for a single foreign currency, as the risk is spread over many countries.

Table 5 – Cash Limit by Organisation

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

6.8 The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's MTFS and cash flow forecast.

6.9 The Treasury Management team has suitably qualified and trained staff to actively manage treasury risks within this Policy framework. Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example require external advice and support based on an assessment at the time, to the extent that skills and resources are available:

- the refinancing of existing debt
- forward-starting loans
- leasing and hire purchase
- use of innovative or more complex sources of funding such as green bond issues, private placements and sale and leaseback structures
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

6.10 The Council appointed Arlingclose Limited to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisors are a useful support in view of the size of the Council's transactions and the pressures on staff time. The contract with Arlingclose was renewed at 1st March 2023 and is due to end 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 £13m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme or to meet other expected cash flows.

7. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

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

Credit risk indicator	Target
Portfolio average credit	A-

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

Interest rate risk indicator	Target
Upper limit on one year revenue impact of a 1% rise in interest rates	-£0.15m
Upper limit on one year revenue impact of a 1% fall in interest rates	£0.15m

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%

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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.

7.7 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	2025/26	2026/27	2027/28
Limit on principal invested for longer than	£13m	£13m	£13m
Amounts invested in longer term investments with no fixed maturity date	£13m	£13m	£13m

8. TREASURY MANAGEMENT REVENUE BUDGET

8.1 The budget for investment income in 2025/26 is £1.138m, based on an average investment portfolio of £27.5m at an interest rate of 4.52%.

8.2 The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.5m.

8.3 Investments in liquid assets such as bank deposits and money market funds are expected to return 4.45% and generate a yield of £0.618m.

8.4 This estimate reflects a prudent view of investment income. Actual interest income will be affected not only by future interest rates, but also by the Council's cash flows and the level of its revenue reserves and provisions.

9. OTHER

9.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

9.2 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

9.3 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

9.4 MiFFID 2 is a legislative framework instituted by the European Union to regulate the financial markets and improve protections for investors. This Council has elected for Professional Client Status which means that to be able to invest in certain investments, it must hold a minimum of £10m in investments. If this falls below the minimum level, then access to certain financial market instruments could be made unavailable to this Council.

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Arlingclose Economic and Interest Rate Forecast (December 2024)

Underlying assumptions:

• As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.

• The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.

• UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.

• Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.

• CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.

• The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

• US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

<u>Forecast:</u>

• In line with our forecast, Bank Rate was held at 4.75% in December.

• The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.

• Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.

• This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.

• The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

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	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

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%s

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Criteria Definitions

UK Government: Sterling-denominated investments with or explicitly guaranteed by 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 ubject to bail in, and there is generally a lower risk of insolvency, although thy 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 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, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but 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 is the credit rating of Lloyds

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Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy Investments: The Council will provide cash flow for third party organisations linked to the Council. The following limit is set for 2025/26

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

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NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2025/2026

10. INTRODUCTION

10.1 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).

10.2 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.

10.3 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 word and (b)property held partially to generate a profit but primarily for the provision of local public services.

11. TREASURY MANAGEMENT INVESTMENTS

11.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure as a Council Tax 'billing authority' it collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £30m and £19.5m during the 2025/26 financial year.

11.2 Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

11.3 Further details: Full details of the Authority's policies and its plan for 2025/26 for Treasury Management investments are covered in a separate document, the Treasury Management Strategy, available here: [Link to Cabinet Report Annex].

12. SERVICE INVESTMENTS: LOANS

12.1 Contribution: The Council lends money to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative. During 2023/24 and 2024/25 the Council has provided a loan facility of up to £3.753m short term and has committed to provide a secured loan of £1.897m (over 50 years) to a local Housing Association which supports the Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure.

12.2 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:

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Table 1: Loans for service purposes in £

Category of borrower	31.3.2024 actual			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	325,603	0	325,603	450,000
Housing associations	1,727,887	0	1,727,887	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
Employees (car loans)	0	0	0	10,000
TOTAL	**2,117,425**	**0**	**2,117,425**	**3,590,000**

12.3 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.

12.4 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.

12.5 **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.

13. SERVICE INVESTMENTS: SHARES

13.1 **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.

13.2 **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 £

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

13.3 **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.

13.4 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.

13.5 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.

14. COMMERCIAL INVESTMENTS: PROPERTY

14.1 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 undertaken any borrowing.

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Table 3: Property held for investment purposes in £

Property Type	01-Apr 2023	31.3.2024 actual		31.3.2025 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,282,000	73,000	1,355,000	0	1,355,000
Investment Property inside of Cotswold District: 27A Dyer Street	1,355,000	55,000	1,410,000	0	1,410,000
Investment Property outside of Cotswold District: Superdrug, Worcester	625,000	-115,000	510,000	0	510,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,085,000	15,000	1,100,000	0	1,100,000
Investment Property outside of Cotswold District: West Bromwich (previously Wilkinson)	1,030,000	-530,000	500,000	0	500,000
TOTAL	**5,377,000**	**-502,000**	**4,875,000**	**0**	**4,875,000**

14.2 **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 2023/24 reflecting the valuer's assumption of the reductions in rental income expected in 2024/25 and potential void periods. The fair value of the Council's investment property portfolio is included in the Statement of Accounts; based upon 'market value'.

14.3 Table 3 shows fair value gains and losses in 2023/24 which are a direct result of the valuation undertaken as at 31st March 2024. The losses in respect of the property owned at Great Bridge (near West Bromwich) previously leased by Wilkinson will not be recognised unless the Council decides to dispose of the asset. The Council maintains sufficient liquidity so that there is no requirement to sell any of the investment properties. Over time, it is expected that the market value of investment properties will vary. Assets are considered sound with strong covenants and dependable income streams.

14.4 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.

14.5 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

14.6 **Liquidity**: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority sets out in its Treasury Management Strategy provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

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15. LOAN COMMITMENTS AND FINANCIAL GUARANTEES

15.1 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.

15.2 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.

15.3 The Council is contractually committed to provide a loan facility of £3.753m) to Cottsway 2 Ltd (a subsidiary of Cottsway Housing Association) to enable the provision of new dwellings incorporating low carbon technology at Davies Road, Moreton-in-Marsh. £1.856m of the facility is a short-term arrangement which will be repaid in full on receipt of grant funding from Homes England. The remainder of the £1.899m is a long term- term secured loan facility to be repaid within 50 years of the first drawdown date. To the extent that the loan facility is used, interest is payable to Cotswold District Council based on a rate of 3.25% per annum. Since 2023/24 £3.65m has been drawdown to date and £1.81m repaid. Leaving a balance at 31/12/24 of £1.898m (including £0.058m of accrued interest). There are plans in place to convert this into a long term secured loan during the last quarter of 2024/25.

16. PROPORTIONALITY

16.1 The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income or will be required to generate savings elsewhere within the budget to continue to provide its services. The Business Manager responsible for the Council's property and estates function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.

16.2 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 (£)

	2023/24 Actual	**2024/25 Forecast**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**
Treasury Investment income	-1,690,588	-1,626,000	-1,138,061	-705,000	-500,000
Loans income	-10,038	-67,228	-69,875	-68,584	-67,249
Share dividend	0	0	0	0	0
Investment Property income	-431,377	-292,027	-358,475	-365,645	-372,957
Investment income	**-2,132,003**	**-1,985,255**	**-1,566,411**	**-1,139,229**	**-940,207**
Gross service expenditure	30,303,999	27,474,203	33,759,946	34,527,490	35,301,281
Proportion	7.04%	7.23%	4.64%	3.30%	2.66%

17. BORROWING IN ADVANCE OF NEED

17.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council will need to borrow in future years to fund new capital expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.

17.2 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.

17.3 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.

18. CAPACITY, SKILLS AND CULTURE

Elected members and statutory officers:

18.1 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 into a specific investment;
- to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
- to enable them to understand how new decisions have changed the overall risk exposure of the Council.

18.2 The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising Council on capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years' experience of working in local government finance. The Council pays for junior staff to study toward relevant professional qualifications, including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).

18.3 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.

18.4 The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.

18.5 The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:

- BSc Hons Real Estate Management
- Associate Member Royal Institute Chartered Surveyors
- Member Royal Institute Chartered Surveyors
- Royal Institute Chartered Surveyors Registered Valuer
- CIMA certificate in Business Accounting
- Member Institute Welfare & Facilities management
- Technical member for Institute for Occupational Safety and Health

18.6 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.

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

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

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

18.10 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.

18.11 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.

<u>Corporate governance:</u>

18.12 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.

18.13 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.

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

18.15 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.

19. INVESTMENT INDICATORS

19.1 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.

19.2 **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.

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Table 5: Total investment exposure in £

Total investment exposure	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	24,911,365	23,350,108	22,687,140
Service investments: Loans	2,117,425	2,303,522	2,276,166
Service investments: Shares	1	1	1
Commercial investments: Property	4,875,000	4,875,000	4,875,000
TOTAL INVESTMENTS	**31,903,791**	**30,528,630**	**29,838,307**
Commitments to lend	1,897,500	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**33,801,291**	**30,528,630**	**29,838,307**

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

19.4 **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.

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

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	4.98%	4.68%	4.14%
Charities Loans*	2.14%	1.74%	1.70%
Housing Association Loans	0.00%	3.25%	3.25%
Local residents (equity loans)	0.00%	0.00%	0.00%
Employees (car loans)	2.00%	n/a	n/a
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property**	7.18%	6.76%	4.03%
ALL INVESTMENTS			

*This represents an average return based on loans ranging from 0% to 3.5%.
**Commercial Property returns are calculated based on returns compared to the current market valuation of the asset not the purchase price).

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