



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 05 DECEMBER 2024
Subject	FINANCIAL PERFORMANCE REPORT – Q2 2024/25
Wards affected	All
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance and Transformation Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	This report sets of the second budget monitoring position for the 2024/25 financial year.
Annexes	Annex A – Capital Programme Outturn Forecast Annex B – Non-Treasury Management Prudential Indicators
Recommendation(s)	That Cabinet resolves to: <ol style="list-style-type: none">1. Review and notes the financial position set out in this report.2. Approve the recommendation in paragraph 9.3: Continue to review in-year opportunities with Publica and Ubico to mitigate the forecast financial position.3. Approve the recommendation in paragraph 9.5: Implement an Authority to Fill process with authorisation for any recruitment activity.4. Approve the recommendation in paragraph 9.6: Deputy Chief Executive and Section 151 Officer to provide guidance to all service leads on criteria under which external agency support can be commissioned (subject to business case assessment).5. Approve the recommendation in paragraph 9.7: accelerate development of refreshed Savings & Transformation plan to



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	<p>ensure adequate cost reductions are identified, scoped, and planned over the MTFS period.</p> <ol style="list-style-type: none">6. Approve the recommendation in paragraph 9.8: review of fees and charges as part of the 2025/26 budget setting process from a cost recovery position.7. Approve the recommendation in paragraph 9.9: Publica Review Phase 2 – the design-led principle <i>Consideration of cost</i> 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.8. Approve the revised Capital Programme to include £0.208m of expenditure in relation to Cirencester Leisure Centre decarbonisation work including the installation of solar PV and triple glazing funded through the Government's Swimming Pool Support Fund.
Corporate priorities	<ul style="list-style-type: none">• Delivering Good Services
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None



1. BACKGROUND

- 1.1** This report provides members with the second outturn forecast and monitoring position statement for the 2024/25 financial year.
- 1.2** The purpose of this report is to notify members of any significant variations to budgets identified in the second quarterly budget monitor exercise, highlight any key financial issues, and to inform members of options and further action to be taken.
- 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. Whilst inflation has fallen back over the course of the calendar year, there remains uncertainty around interest rates and inflationary pressures in the current financial year which exert an influence over the Council's budget both directly and indirectly.

2. EXECUTIVE SUMMARY

- 2.1** This report sets out the outturn forecast for the financial year informed by Q2 budget monitoring.
- 2.2** Based on the budget monitoring exercise undertaken for Q2 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is an adverse variation of £0.266m

Table ES1 – Revenue Budget Outturn Forecast (Q2)

	2024/25 Latest Net Budget (£'000)	2024/25 Actuals to Q2 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Revenue Budget				
Subtotal Services	18,320	8,516	18,697	376
Less: Reversal of accounting adjustments	(1,778)		(1,778)	0
Revised Subtotal Services	16,542	8,516	16,918	376
Corporate Income & Expenditure	(1,481)	(975)	(1,423)	58
Provisions and Risk Items	0	0	(168)	(168)
Net Budget Requirement	15,061	7,541	15,327	266
Funded by:				
Council Tax	(6,597)		(6,597)	0
Retained Business Rates	(5,014)		(5,014)	0
Government Funding - Grants	(3,206)		(3,206)	0
Government Funding - NHB	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)		(473)	0
TOTAL Funding	(15,577)	0	(15,577)	0
Budget shortfall/(surplus)	(516)		(250)	266



Table ES2 – Revenue Budget – Reconciliation of variations (Q2)

	Positive variation (£'000)	Adverse Variation (£'000)	Q1 Outturn Variance (£'000)	Movement from Q1 (£'000)
Key Outturn variations				
<u>Service variations</u>				
Fees & Charges	(65)	138	(6)	79
Car Parks (Fines and Permits)		95	0	95
Commercial Property - Empty Property Costs		100	23	77
Elections		72	54	18
Development Management				0
Car Parks (Business Rates)		0	(58)	58
Bank Charges		0	26	(26)
Trinity Road, service charges and utilities	(37)		0	(37)
Ubico Contract		56	0	56
Waste and Recycling - mobilisation costs		50	72	(22)
Other service variations		5	10	(5)
<u>Non-Service/Corporate variations</u>				
Publica underspend Q1+Q2 (net of saving target)	(82)		0	(82)
Contingency	(200)		0	(200)
Pay Award below budget	(400)		0	(400)
Risk - Streets Service savings		75	0	75
Treasury Management Income	(367)		(125)	(242)
Publica Review Phase 1 - provision		182	148	33
Less: Vacancy Management savings	(50)		0	(50)
Add: Communications service	(70)	101	0	31
Add: Rebranding		40	0	40
Add: Recruitment costs (Phase 1 posts)		100	0	100
Transfer to Financial Resilience reserve		400	0	400
Transfer to Treasury Management reserve		125	0	125
Subtotal	(1,271)	1,537		
Net Outturn Variation		266	145	121

2.3 The material forecast variations are listed below with further details in Section 4 of this report.



- **Forecast income variations** – underachievement: Publica Conveniences (£47k) Land Charges (£36k), Cemeteries (£30k), Building Control (£25k). Additional Income: Bulky Waste (£40k), Green Waste (£25k)
- **Car Parks** income – underachievement of fines and permit income (£95k)
- **Commercial Property** rental income and vacant property costs (£100k adverse variation)
- **Elections** – Overspend of £72k forecast due to expenditure with Civica on the trial of tablets that cannot be claimed through the parliamentary expenses scheme and higher than budgeted postage and canvassers fees.
- **Trinity Road Offices** – higher than budgeted income from service charges to tenants and lower than forecast business rate (£37k)
- £57k of overspend in respect of premises and insurance costs as part of the **Ubico Waste and Recycling contract**.
- £49k additional expenditure for communications and customer service support associated with the rollout of the **Waste and Recycling rezoning** in July 2024.
- Net underspend on the **Publica contract sum** (net of savings target) of £82k.
- **Contingency** Budget is forecast to remain unutilised (£200k underspend) which mitigates costs associated with the Waste and Recycling rezoning.
- **2024/25 Pay Award** – estimated saving from lower than budgeted pay award (£400k saving to be transferred to the Financial Resilience Reserve)
- Risk of underachievement of budgeted savings from **Street Services review** £75k adverse.
- **Treasury Management** and interest receivable performance (£0.367m positive variation) with £0.125m to be transferred to the Treasury Management Reserve.
- **Publica Review** impact (part-year) of £0.182m included as a provision.
- Less: **Vacancy Management** underspend (Director of Communities and Place) £50k
- Additional costs of **Communications** service (net of vacancy managements underspend of £70k) – £31k net adverse variation
- Additional **recruitment costs** of £100k for Phase 1 posts (Director of Communities and Place and senior Development Management roles.)
- Expenditure associated with the rollout of the **refreshed corporate branding** estimated to be £40k.



- 2.4** The Cabinet Transform Working Group (CTWG) will consider the forecast outturn, financial risks and uncertainties set out in this report. CTWG will specifically be considering proposals from service delivery partners to contribute to the Council's Savings plans and will be closely monitoring the achievement of savings targets.
- 2.5** The outturn forecast is a net overspend/adverse variance of £0.266m. Without positive action, the outturn variation would reduce the level of budgeted surplus in-year (i.e. it would reduce the planned transfer to the Financial Resilience reserve at year end from £0.516m to £0.250m). This is not a desirable outcome and management action must be taken by the Council, Publica and Ubico to mitigate the forecast outturn position. Section 9 of the report sets out these actions in more detail.
- 2.6** A summary of the Capital Programme outturn forecast is shown in the table below.

Table ES3 – Capital Programme Outturn Forecast

Capital Programme	2024/25 LAB (£'000)	2024/25 Actuals to Q2 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Leisure & Communities	1,518	767	1,457	(61)
Housing/Planning and Strategic Housing	3,351	1,572	2,405	(946)
Environment	2,458	1,259	1,655	(803)
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	24	150	(200)
UK Rural Prosperity Fund	752	104	752	0
UK Shared Prosperity Fund Projects	134	40	134	0
Land, Legal and Property	880	288	630	(250)
Transformation and Investment	274	203	244	(30)
TOTAL Capital Programme	9,717	4,257	7,427	(2,290)

- 2.7** The table above includes an adjustment of £0.208m of expenditure in relation to Cirencester Leisure Centre decarbonisation work including the installation of solar PV and triple glazing funded through the Government's Swimming Pool Support Fund.
- 2.8** The table above indicates a forecast underspend of £2.29m. This includes an overspend of £200k due to timing difference on Disabled Facilities Grants (DFG) funding. Through the pooling arrangements in place with Gloucestershire County Council (GCC), expenditure of up to £1.5m in 2024/25 is provided. Forecast expenditure of £1.7m has



been submitted to GCC. A request has been submitted to GCC for additional funds to meet the expected overspend. It is uncertain at this point as to whether further funding will be approved. This poses a risk to the council, if further funding is not forthcoming, any overspend will need to be funded by the council. It is proposed that a waiting list is put in place for the short-term and to place a hold on any new DFG applications.

- 2.9** Therefore, the underlying position on the capital programme (excluding DFGs) is a forecast underspend of £2.49m. Underspend due to lower than forecast expenditure in respect of the purchase of vehicles for Ubico, Electric Vehicle Charging Points, capital loans to Cotsway Housing Association and proposed Bromford Housing Joint Venture Partnership. Further details provided in section 6.
- 2.10** Financial Performance reports will be presented to members at the January 2025 (Planning Service update only) and March 2025 Cabinet meetings with the outturn position likely to be finalised for the July 2025 Cabinet meeting.

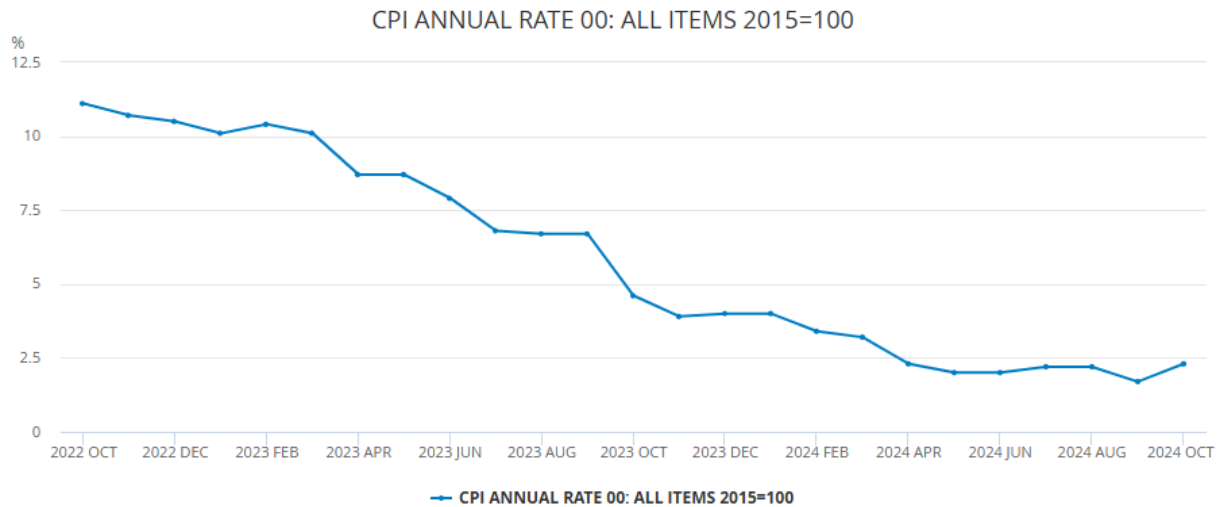
3. EXTERNAL ECONOMIC ENVIRONMENT

Inflationary Pressures

- 3.1** The level of inflation, as measured by the Consumer Prices Index, for October 2024 is 2.3% (up from 1.7% in September 2024). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 3.4% (2.7% in September 2024). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) rose to 3.3% (3.2% in September 2024). Commentary from economists on the inflation rate indicated the rate is likely to remain above the 2% target during 2025 as the impact from energy prices and second round inflation comes through (Second-round effects occur when agents pass on the inflationary impact of the direct and indirect effects to wage and price setting)

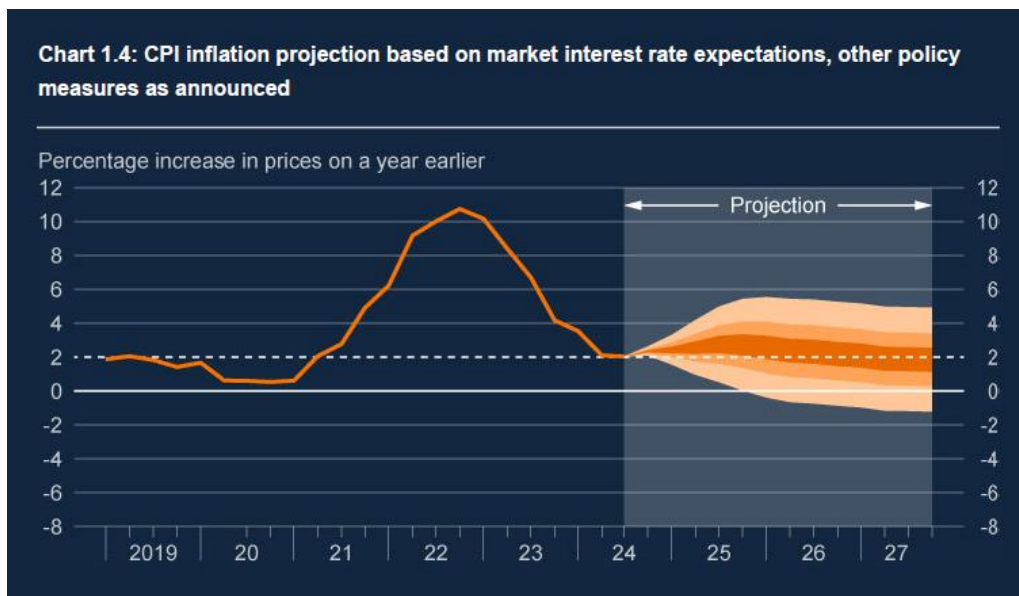


Graph A – CPI Inflation



- 3.2** 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.
- 3.3** The forecast for inflation is to remain marginally above the Bank of England’s target of 2.0% (CPI) although there was debate when inflation remained at relatively high levels suggesting the bank should consider revising the target to 3.0%. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (November 2024).

Graph B – Bank of England Fan Chart - Inflation





- 3.4** The lower inflation expectations shown in the Bank of England's Fan Chart above will need to be considered when assessing the impact on 2025/26 revenue and capital budgets and over the MTFS-period.

Local Government Pay Award

- 3.5** The assumption made for the 2024/25 budget was for an average Pay Award of 5% across Publica and Council staff with 6% budgeted for across Ubico. Inflationary provision of just under £1m has been included in the budget for the pay award across Publica and Ubico contracts and for retained staff costs.
- 3.6** The Local Government pay award was settled on 22 October 2024 as set out below. With effect from 01 April 2024:
- an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive (equating to an increase of between 2.50% and 5.77% depending on the paygrade)
 - an increase of 2.50% on all pay points above the maximum of the pay spine but graded below deputy chief officer.
 - an increase of 2.50% on all allowances
- 3.7** As set out in the [2025/26 Budget Strategy and Medium-Term Financial Strategy \(MTFS\) Update](#) The financial implications of Pay Award outlined above is within the inflation allowance in the current year's budget. Any surplus provision in 2024/25 will be transferred to the Financial Resilience reserve to maintain financial sustainability over the MTFS period and to mitigate the impact of Phase 1 of the Publica Review. An adjustment to the 2024/25 base salary budget will be included in the February 2025 MTFS once the full impact of the Pay Award has been applied to employee salaries.

Interest Rates

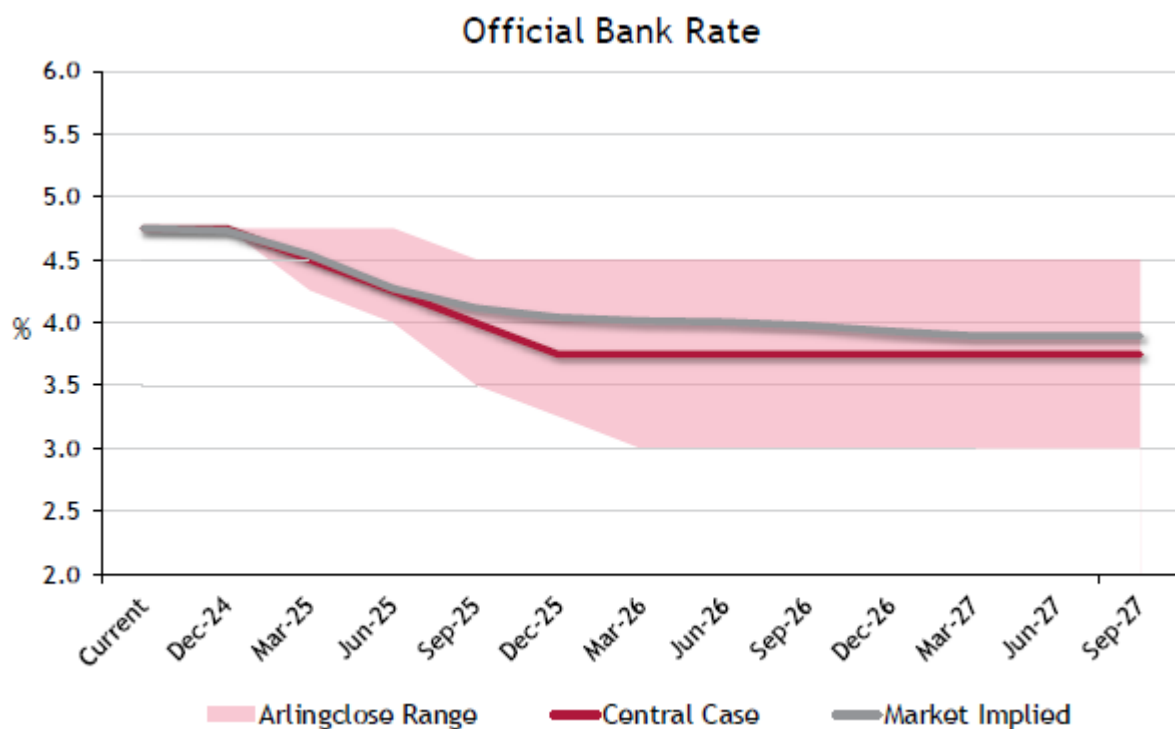
- 3.8** The Bank of England reduced the Base rate in November 2024 by a further 0.25% in response to the easing of inflationary pressures taking the base rate to 4.75%. The council's treasury management advisors have forecast that the rate will continue to



reduce, but more slowly and by less. The next MPC meetings are scheduled for 19 December 2024, and 06 February 2025.

- 3.9** The expectation is for a further rate reduction in February 2025 with further reductions during 2025 (aligned to the publication of the Monetary Policy Report each quarter) to a low of 3.75%.

Graph C – Interest Rate Forecast



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

- 3.11** With these interest rates likely to remain high during the 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.



4. 2024/25 REVENUE BUDGET FORECAST

4.1 The Revenue Budget was approved by Council at their meeting on 21 February 2024 with no adjustments made during the financial year to date.

Table 1 – Revenue Budget reconciliation

Budget Item	(£'000)
Original Budget (Council, 21 February 2024)	15,061
Adj:	
Adj:	
Adj:	
Adj:	
Latest Budget	15,061

4.2 The revenue budget will be in a state of flux during the financial year as budgets will be amended to reflect the transfer of services from Publica to the Council in Phase 1 of the Publica Transition. Whilst it is not anticipated that the net budget position (£15.061m) will change, the composition of the budget (i.e. subjective split between Pay and Non-Pay budgets) and net service budgets will be amended.

4.3 With Phase 1 services and direct budgetary responsibility transferring from Publica to the Council on 01 November 2024, members should expect to see material adjustments to service budgets in the Q3 and Q4 financial performance reports with a revised revenue budget for 2024/25 included with the 2025/26 Budget and MTFS proposals to Cabinet and Council in February 2025. Section 5 of this report provides members with an updated forecast of the net additional impact on the revenue budget in the current year.

4.4 As of 30 September 2024 (Q2) the Council's net expenditure (excluding Funding and Parish Precepts) was £7.541m against the profiled budget of £6.591m.

4.5 The outturn forecast for 2024/25 of £15.327m results in a forecast variance of £0.266m. Table 2 provides members with an overview of the material outturn variations that have been forecast across services with Tables 3 and 4 providing detail on the non-service revenue expenditure and income budgets.



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Table 2 – Revenue Budget Outturn Forecast Summary

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Funded by:				
Council Tax	(6,597)		(6,597)	0
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Government Funding - Grants	(3,206)		(3,206)	0
Government Funding - NHB	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)		(473)	0
TOTAL Funding	(15,577)	0	(15,577)	0
Budget shortfall/(surplus)	(516)		(250)	266

Table 3 – Corporate Income and Expenditure

	2024/25 Revised Budget (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Corporate Income and Expenditure			
Contingency, other non-service income and expenditure	240	151	(88)
Savings & Transformation Items	(709)	(721)	(12)
Treasury Management - Interest Payable	9	9	0
Treasury Management - Interest Receivable	(1,333)	(1,700)	(367)
Minimum Revenue Provision (MRP)	12	12	0
Transfer to/(from) Earmarked Reserves	301	826	525
	(1,481)	(1,423)	57



Table 4 – Provisions and Risk

	2024/25 Revised Budget (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Provisions and Risk			
2024/25 Pay Award		(400)	(400)
Publica Review Phase 1 - Provision		182	182
Recruitment Costs (Phase 1 posts)		100	100
Vacancy Management		(50)	(50)
	0	(168)	(168)

Key Variations

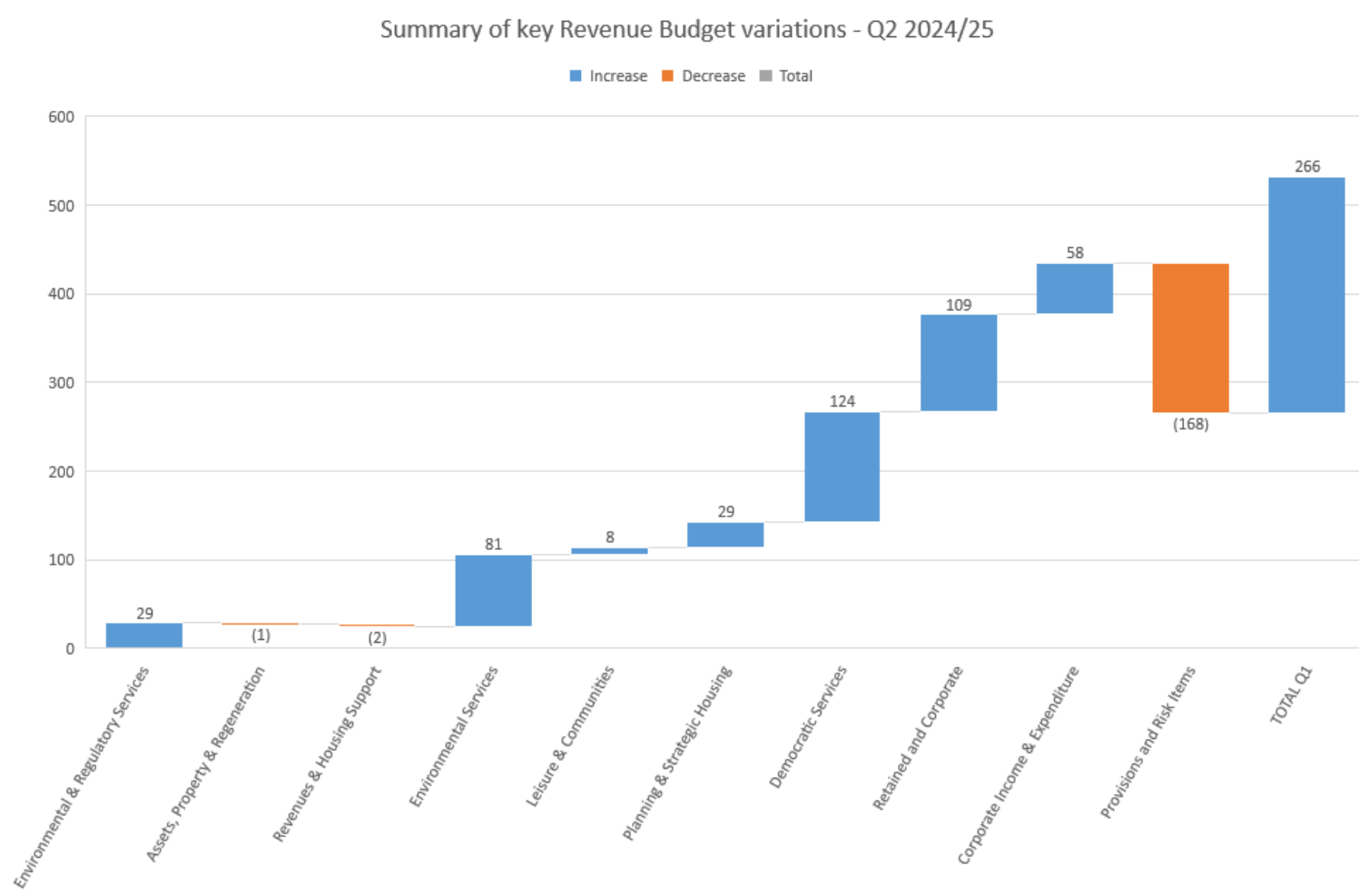
- 4.6** As outlined in paragraph 4.6, the forecast outturn position is a net overspend/adverse variance of £0.266m. Without positive action, the outturn variation would reduce the level of budgeted surplus in-year.
- 4.7** The outturn forecast outlined in this report does not include an estimate for “Planning Services” (as listed below).
- DEV001: Development Control
 - DEV002: Development Control – Appeals
 - DEV003: Development Control – Enforcement
 - DEV004: Development Advice
 - PLP002: Local Development Framework
 - PLP005: Heritage and Design
- 4.8** These services transferred from Publica to the Council as part of Phase 1 and included 46 posts. At the time of drafting this report (25 November 2024) there were 14 vacancies across the teams. Of these vacancies, 6 were covered by agency staff on a short-term basis.
- 4.9** The Council is currently recruiting to 8 posts across the planning service and subject to a successful recruitment process and acceptance of any offers of employment made, this would have a material impact on the outturn forecast for these service areas.
- 4.10** Whilst an assumption could be made for this report, it was likely that those assumptions would be subject to change between the drafting of the reports and the Cabinet meeting.



- 4.11** Therefore, the recommendation of the Deputy Chief Executive and Section 151 Officer was for an update report to be considered by Overview and Scrutiny Committee and Cabinet in January 2025. This report will focus on the Planning Services listed above and provide members with a more timely and accurate forecast considering current recruitment activity and likely impact on use of agency staff.
- 4.12** It is worth noting that due to the reduced budgetary pressure from the agreed 2024/25 Pay Award (estimated at £0.400m) the transfer to the Financial Resilience Reserve (FRR) would be in accordance with the planned level of £0.516m.
- 4.13** Whilst the forecast surplus on the revenue budget has reduced to £0.250m it is proposed to transfer £0.650m to the Financial Resilience reserve (£0.400m + £0.250m).
- 4.14** This assumes that there are no additional expenditure commitments that would require support from the FRR. For the avoidance of doubt, the working assumption in the outturn forecast is:
- there is no material deterioration in the outturn forecast in Q3 and Q4
 - additional expenditure in any particular service area is offset by a corresponding decrease in expenditure in other service areas.
- 4.15** Whilst the outturn forecast allows for the planned transfer to the FRR reserves, the net outturn variation is a cause for concern and represents a weaker financial position than would otherwise have occurred. This is not a desirable outcome and management action must be taken by the Council, Publica and Ubico to mitigate the forecast outturn position.



Table 5 – Waterfall Chart





- 4.16** The material items which have had an impact on the Council's revenue budget are summarised below with narrative explaining the reasons(s) for the variation in the paragraphs that follow.
- 4.17** The 2024/25 revenue budget included £1.350m of material increases to fees and charges and cost reductions:
- Car Parks Fees (£0.481m) additional income
 - Garden Waste Fee (£0.169) additional income
 - Waste and Recycling (£0.375m) cost reduction.
 - Streets Service (£0.150m) cost reduction
 - Planning Fees (£0.100m) additional income
 - Customer Service contact centre (0.075m) further cost reduction
- 4.18** The outturn forecast for Q2 indicates not all of the income increases and cost reductions will be achieved in full.
- 4.19** Following changes to **Waste and Recycling** rounds in July 2024, Ubico have confirmed through financial reporting that the part-year efficiency saving of £0.375m has been achieved.
- 4.20** There is a risk that the cost reduction of £0.150m included in the 2024/25 revenue budget for the **Street Cleaning** service may not be achieved in full this financial year. Whilst initial scoping work has identified cost reductions and service efficiencies, a wider review of service options is being undertaken to ensure service standards are clearly defined with corresponding cost reductions. For the purposes of this report, it is assumed that approximately 50% of the budgeted saving will be achieved in the current financial year (£0.075m). Further analysis will be undertaken on the scope and delivery of cost reductions for 2025/26, and this will be considered by Cabinet in February 2025.
- 4.21** Where income shortfalls have been forecast, it is expected that Business Managers and Assistant Directors evaluate options for corrective action. It is unlikely income will recover in the current financial year and may have a detrimental impact on the Council's finances over the medium-term. The evaluation must include an assessment of the service cost and income, market positioning, and unit cost and benchmarking

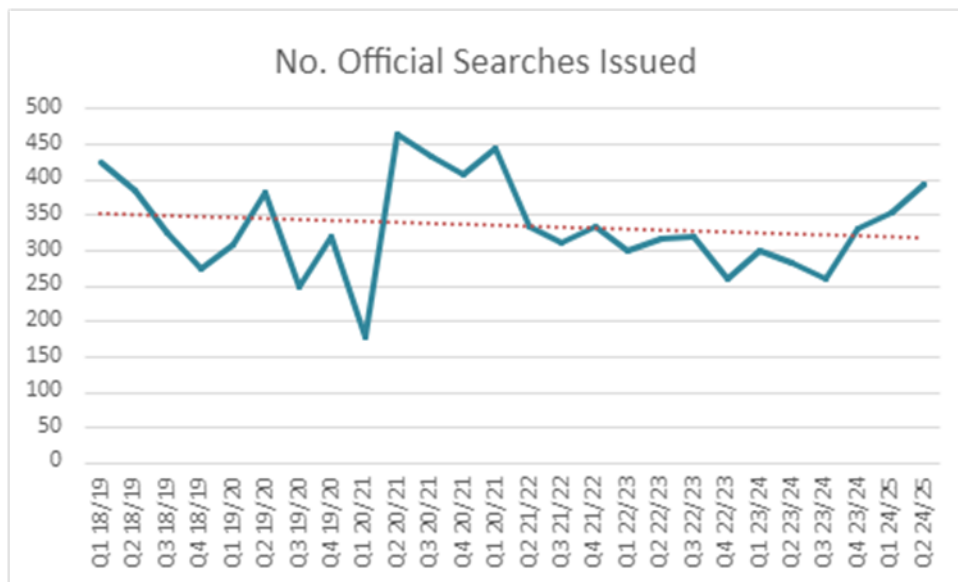


data analysis. Options should outline, if possible, how the service can be financially sustainable.

4.22 Income from **Land Charges** is below budget with net income received forecast to be £36k below budget at the end of the financial year due (based on the current profiled position). The income budget was reduced for the year by £19k (from £0.208m to £0.189m) recognising the downward trend on income in 2023/24 in part to the rise in free unofficial Personal Searches (through Personal Search Agents)

4.23 Performance data indicates the service exceeds the target for completing land charge searches within 10 days (96% against a target of 90%). There has been an increase in the number of official searches compared to Q2 (395 compared to 355) and a significant increase when compared to Q2 in 2023/24 (395 compared to 284), however there has been a gradual downward trend in searches since 2018/19. See graph x below.

Graph D – Land Charges – Number of Official Searches Issued



4.24 Further analysis of land charge service cost and income will be undertaken to support the 2025/26 budget setting process.

4.25 Building Control –Market share is averaging 61% in Q2 with 151 applications processed. There has been an 8 per cent increase in market share since Q1 and a 4 per cent increase compared to the same period last year. Forecast expenditure is on



budget but an income shortfall of £25k is currently forecast. The team have invested in software and handheld devices for site use which is expected to make officers time on site and the service as a whole more efficient. The team have recently completed an internal audit, and an improvement plan has been produced which will consider options to increase market share and improve efficiency further.

- 4.26 Public Conveniences** – income shortfall due to reduced footfall, forecast net income shortfall of £47k. The service was subject to a review by Overview and Scrutiny Committee (Public Conveniences Review Group) and the review and recommendations were reported to Cabinet in February 2024. This report made a series of recommendations and recognised the financial pressures of the service needed to be reduced but that a fully cost recoverable service was not achievable. A reduction in facilities where there were multiple facilities in towns or villages was agreed and toilets have now been closed in both Cirencester and Stow-on-the-Wold as a means of mitigating cost pressures.
- 4.27** Further options will need to be considered as part of the 2025/26 budget setting process to ensure the net subsidy required to operate the Public Conveniences can be minimised.
- 4.28 Cemetery fees** – forecast shortfall in income of £30k due to lower service provision.
- 4.29 Green Waste and Bulky Waste** fees are forecast to achieve £65k more income than budgeted by the end of the financial year.
- 4.30** There is a risk that the Council will not receive the budgeted level of commercial rental income from **Investment Properties** given the challenging economic conditions across retail and office sectors and downward pressure on rents. A combined income shortfall and empty property costs of £100k is currently forecast as a worst case but will be reviewed alongside the wider Asset Management Strategy.
- 4.31** An overspend of £72k is forecast for the **Elections** service. This is due to expenditure with CIVICA on the trial of Tablets at the Police and Crime Commissioner election in May 2024 and the General Election in July 2024. These costs cannot be claimed through the national election expenses scheme. Trials have been undertaken to assess whether the use of Tablets and software would streamline the election process by reducing the opportunity for polling station errors and streamlining the count process with ballot paper accounts reconciled through the Tablet and software. Other



overspent election costs including postage and canvassers fees, budgets have been reviewed and will be updated as part of the 2025/26 budget setting process.

- 4.32** Income from the Council's **Car Parks** remained positive in Q2 although there is a risk that performance dropped in September due to issues with payment. Income from Car park permits, and Penalty Charge Notices (PCNs) is below target for the first half of the financial year and is forecast to be underachieved by £95k in 2024/25.
- 4.33 Recruitment Costs** - £100k of additional spend not covered through vacancy management. These costs will cover the cost of recruitment for the Director of Communities and Plan, three senior planning roles and four other planning roles.
- 4.34 Rebranding** – costs of £40,000 associated with the corporate refresh of branding which is funded from cost savings/additional service charge income at Trinity Road.
- 4.35 Communications** service is forecast to overspend by £31k. Following the transfer of services in Phase 1, the Communications service has been reviewed with additional interim support provided by an external communications agency (Conteur). Whilst there is a projected underspend on staff costs (£70k) the total cost of external support is forecast to be £101k.
- 4.36 Ubico Contract** – the Council's Environmental (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc) are provided by Ubico Ltd. The contract with Ubico for 2024/25 of £8.738m is forecast to cost £8.421m – a net underspend of £0.318m This is predominantly due to the savings achieved of £0.375m from the rezoning but is offset by additional costs of £57k due to higher than estimated premises insurance and property lease costs.
- 4.37** The Council also incurred additional expenditure of £49k for communications and customer service support in relation to the **mobilisation of the Waste and Recycling rezoning** which will be funded from the £92k contingency balance held in relation to Ubico cost.
- 4.38** The table below provides members with an overview of the financial performance of the Ubico Contract (table 7). The net variation on the contract excluding the rezoning saving is an overspend of £57k.



Table 6 – Ubico Contract Monitoring

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Ubico Contract Costs OB (£'000)	Ubico Contract Costs CS (£'000)	Outturn Forecast (£'000)	Outturn Variance (£'000)
Car Parks GM [CTW668]	77	77	76	(2)
CCM001 Cemetery/Churchyards GM [CTW688]	188	188	184	(4)
RYC002 Garden Waste Collection [CTW634]	1,423	1,423	1,369	(55)
WST001 Household Waste [CTW611]	1,722	1,722	1,734	12
RYC001 Recycling [CTW633]	3,089	3,089	2,884	(205)
RYC003 Refuse/Recycling/Food Waste [CTW635]	661	661	662	0
STC001 Street Cleaning [CTW666]	1,558	1,558	1,494	(64)
Trinity Road Offices GM [CTW668]	20	20	19	(0)
Grand Total	8,738	8,738	8,420	(318)
Less: Rezoning Savings				375
Net variation on contract (excluding Rezoning)				57

Treasury Management

- 4.39** Dividends from the Council's longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.198m were received in the first half of the financial year achieving a return of 4.84%. Interest from short term cash deposits including the Debt Management Office (DMO) was £0.484m due to interest rates remaining at a higher level than assumed in the budget and MTFS.
- 4.40** It should be noted that the budgeted level of net investment income for 2024/25 is £1.210m – an increase of £0.504m over the 2023/24 budgeted level and recognises the current interest rate position and improved returns. This is a prudent estimate for the year but is lower than the final 2023/24 level of investment income achieved of £1.674m given the forecast interest rate reductions over the financial year.
- 4.41** It is not expected that the current interest rate level will be maintained over the MTFS period, as set out in Section 3 of this report, with expectations of investment income in 2025/26 reducing to around £1m with a further reduction to £0.5m by 2026/27.
- 4.42** A prudent forecast of investment income has been included in the outturn forecast of £1.582m (net income received). This considers the expectation that the base rate will remain at 4.75% until February 2025 when the next rate cut is expected.



4.43 The level of investment income for the year will depend on the performance of both short-term investments (Money Market Funds, deposits with the DMO) and dividends from the long-term investment. The table below provides members with a high-level overview of the Council's Treasury Management investments on 30 September 2024

Table 7 – Treasury Management Investments

Investment type	Balance invested at 30/06/24 (£'000)	Investment Income received to 30/09/24 (£'000)	2024/25 Forecast (£'000)
Bank of England DMDAF	7,650	223	658
Money Market Funds			
Federated Money Market Fund	3,000	74	144
DGLS Money Market Fund	3,000	65	114
Insight Liquidity Money Market Fu	3,000	39	109
Lloyds Instant Access	1,305	20	32
Other Short-term deposits	1,500	50	55
Real Estate Investment Trusts (REIT)			
Fundamentum Housing REIT	953	8	30
Cash Plus Fund			
Federated Cash Plus Fund	1,185	0	0
Pooled Funds			
CCLA Property Fund	2,146	30	112
Shroders Income Maximiser Fund	855	23	54
CCLA Better World Fund	968	10	31
M&G UK Income Fund	1,819	51	99
Investec Diversified Fund	1,839	40	87
Columbia Threadneedle Bond Fu	1,949	37	74
	31,169	670	1,599

4.44 With the forecast of Treasury Management investment returns significantly above the budgeted level, it is recommended that £0.125m is transferred to the Treasury Management Risk earmarked reserve to manage higher borrowing costs in the short-term and to mitigate potential changes to the accounting treatment of gains and losses on pooled funds from March 2025.

4.45 Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 21



February 2024. Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

- 4.46** The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 01 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are expected to be included in the Council's usual revenue and capital monitoring reports. Section 6 and **Annex C** of this report provides members with an overview on the non-treasury position.

Corporate Income and Expenditure, Provisions, and Risk

- 4.47** As outlined in Tables 3 and 4 there are variations forecast across the Corporate Income and Expenditure budgets. These budgets support the General Fund Revenue budget and are typically the non-service items such as Treasury Management, financing, contingency budget, and provisions for risk.
- 4.48** A contingency budget is held centrally to mitigate any in-year cost pressures from inflation or other unforeseen events. This is forecast as uncommitted (£88k) to in-part offset the recruitment and Publica transition additional expenditure highlighted in the paragraphs below.
- 4.49** Savings and transformations are forecast to be overachieved by £12k because of a forecast underachievement of Street Cleaning savings (£75k) and underspend from Publica of £192k against target saving of £109k (-£82k).
- 4.50** As outlined earlier in this section, the performance of the Council's Treasury Management Investments is a result of higher than anticipated interest rates and surplus balances to invest. It is recommended that £0.125m is transferred to the Treasury Management Risk earmarked reserve to manage higher borrowing costs in the short-term and to mitigate potential changes to the accounting treatment of gains and losses on pooled funds from March 2025.



- 4.51** The 2024/25 agreed pay rise is forecast to result in a saving of £0.4m against the original budget, this saving will be transferred to the Financial Resilience Reserve (FRR) to compensate for the lower than budgeted surplus forecast.
- 4.52** As outlined in section 5 below, forecast additional expenditure of £0.182m (£436m for full year impact) for Phase 1 of the Publica transition is included as a risk provision in the Q2 outturn forecast.
- 4.53** Recruitment Costs - £0.100m of additional spend not covered through vacancy management. 3 x senior planning roles, Director, 4 x other planning roles. These can be partly offset against the forecast underspend of £50,000 as a result of the vacancy within the Director of Communities and Place role.

5. PUBLICA REVIEW

- 5.1** 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.
- 5.2** 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).
- 5.3** These cost estimates have been updated for this report but should be treated with a degree of caution – they are estimates at the current time and will vary as appointments are made to new roles within the council.
- 5.4** The table and Waterfall chart below provides members with a reconciliation between the financial implications set out in the July 2024 DTP and the current estimate (December 2024) included in this report.



Table 8 – Reconciliation of Phase 1 Cost Estimate

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	619	66
New Model Total	4,553	4,553	4,641	88
Publica Savings (Direct)	(240)	(240)	(221)	19
Indirect Savings	(283)	(282)	(282)	1
Enduring Impact	4,030	4,031	4,138	108
Indicative Annual Increase / (Decrease)	356	415	436	22

5.5 The main changes between July 2024 and the current estimate (December 2024) are:

- Additional Communications Team post [+£73k].
- Reduction in Development Management and Forward Planning estimate [-£7k]
- Reduction in estimate of Director and Executive Assistant roles [-£3k]
- Changes to salary levels for senior planning posts [+£22k]
- Other minor changes in cost estimate [-£4k]

5.6 It should be noted that these cost estimates only cover Phase 1 of the DTP. No provision was made in the MTFS Update (November 2024) for Phase 2. Proposals for the next phase are at a very early stage and will require extensive due diligence before any decision is taken. 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.

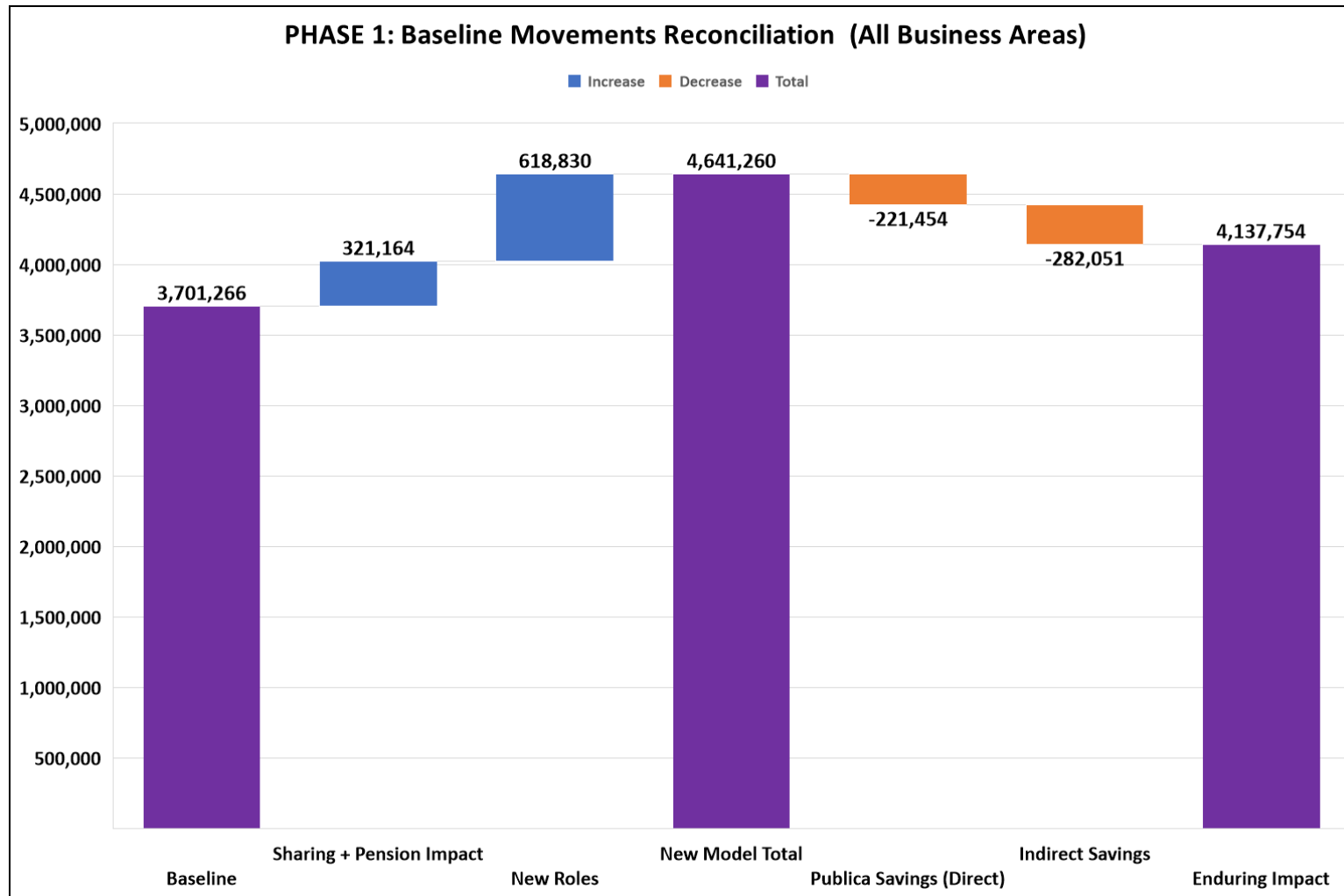
5.7 It is important to note that the gross increase in cost of Phase 1 (£0.940m in a full year) was net of cost reductions of £0.504m associated with changes made to the Publica management structure (giving the net cost estimate of £0.436m). Elements of the new posts (shown in the waterfall) could be 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.



- 5.8** As indicated in the 2025/26 Budget Strategy and Medium-Term Financial Strategy (MTFS) Update report, the current estimate for the Council's share of redundancy and pension strain costs is £0.274m and within the amount set aside within the Financial Resilience reserve.
- 5.9** Members have received updates in the financial reports to Cabinet on the costs associated with the Transition Programme. The table below provides an update on costs incurred up to Q2 2024/25 (i.e. 30 September 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 £0.274m of the £0.500m set aside to support the transition programme will have been utilised on Phase 1 preparation and delivery.
- 5.10** 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)



Graph E – Phase 1 Waterfall





Project Office Cost Estimate

Item	Description	2023/24 Financial Year		2024/25 Financial Year			TOTAL Estimate	CDC Share (£)
		2023/24 Actual (£)	2023/24 CDC Share (£)	2024/25 Actuals to Q2 (£)	2024/25 Forecast (£)	2024/25 CDC Share (£)		
Programme Director	Interim Programme Director (AP) sourced through Tile Hill	56,950	18,983	119,305	92,664	70,656	268,919	89,640
External Legal advice	External Legal advice to support transition of service from Publica to Councils including TUPE advice	14,327	4,776	17,793	27,880	15,224	60,000	20,000
Human Engine Report	Consultancy and support provided July to October 2023	26,400	6,600	0	0	0	26,400	6,600
Local Partnerships	20 days consultancy in 2023/24 - LGA funded	0	0	0	0	0		
Local Partnerships	Additional support outside of the LGA-funded consultancy	0	0	0	0	0		
Support to Councils	Additional Finance Business Partner support	0	0	0	29,072	14,536	116,288	58,144
Programme Office	Programme Manager Nov-March	0	0	0	0	0	42,000	14,000
Programme Office	Backfill costs for Finance Business Partner role	8,925	2,975	59,805	68,715	42,840	137,445	45,815
Programme Office	HR Payroll Support	0	0	0	8,596	2,865	17,192	5,731
Programme Office	External oversight and critical friend review of TUPE conversations and processes	0	0	0	20,000	0	20,000	6,667
Programme Office	Backfill costs for HR Business Partner role	0	0	17,224	23,955	13,726	82,357	27,452
		106,602	33,334	214,127	270,882	159,848	770,601	274,048



6. CAPITAL PROGRAMME

6.1 Council approved the Capital Programme for 2024/25 at their meeting on 21 February 2024. The Capital Programme has been updated reflecting decisions made by Cabinet and Council since February:

- Additional Capital scheme – Off-Street Residential Chargepoint Scheme (ORCS) £0.393m funded by external grant/Council matched funding (Council, 15 May 2024)
- Carry forward of unspent Capital budgets of £1.513m, as detailed in the Financial Performance Report 2023/24 Outturn report (Cabinet, 25 July 2024).
- Additional DFG budget provision (Cabinet, 7 November 2024).

6.2 A further revision is recommended in this report to include an additional £0.208m of expenditure within the 2024/2025 capital programme in relation to Cirencester Leisure Centre decarbonisation work, including the installation of solar PV and triple glazing funded through the Government's Swimming Pool Support Fund. (see recommendation 3).

6.3 The revised capital programme for 2024/25 is £9.717m with a total net spend at £4.257m at 30 September 2024.

Table 9 – Capital Programme budget reconciliation

Capital Programme Reconciliation	(£'000)
Original Budget (Council, 21 February 2024)	6,813
ORCS Grant Scheme (Council, 15 May 2024)	383
Slippage from 2023/24 (Cabinet 25 July 2024)	1,513
Disabled Facilities Grant (Cabinet 7 November 2024)	800
CLC Decarbonisation Work Solar PV and Triple Glazing (Cabinet 7 Dec 2024)	208
Adj:	
Latest Budget	9,717



Table 10 – Capital Programme Outturn Forecast

	2024/25 OB (£'000)	2024/25 LAB (£'000)	2024/25 Actuals to Q2 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Capital Programme					
Leisure & Communities	1,310	1,518	767	1,457	(61)
Housing/Planning and Strategic Housing	2,289	3,351	1,572	2,405	(946)
Environment	1,857	2,458	1,259	1,655	(803)
Retained & Corporate	0	0	0	0	0
ICT, Change and Customer Services	350	350	24	150	(200)
UK Rural Prosperity Fund	573	752	104	752	0
UK Shared Prosperity Fund Projects	134	134	40	134	0
Land, Legal and Property	300	880	288	630	(250)
Transformation and Investment	0	274	203	244	(30)
TOTAL Capital Programme	6,813	9,717	4,257	7,427	(2,290)

6.4 The outturn forecast for the current year is an underspend of £2.290m. **Annex A** sets out the detailed forecast outturn with commentary from budget holders and is summarised in table 10 above.

6.5 The significant variations forecast on the Capital Programme are:

- An overspend of £200k due to timing difference on **Disabled Facilities Grants (DFGs)** funding. Through the pooling arrangements in place with Gloucestershire County Council (GCC), expenditure of up to £1.5m in 2024/25 is provided. Forecast expenditure of £1.7m has been submitted to GCC. A request has been submitted to GCC for additional funds to meet the expected overspend. It is uncertain at this point as to whether further funding will be approved. This poses a risk to the council, if further funding is not forthcoming, any overspend will need to be funded by the council. It is proposed that a waiting list is put in place for the short-term and to place a hold on any new DFG applications.
- **Cottsway Housing Association Loan** - Forecast underspend of £0.420 due to lower than forecast loan drawdown required due to timing of grant received from Homes England and Cotswold District Council. Loan to be converted to secured long term loan in line with loan agreement during final quarter of 2024/25.



- **Bromford Joint Venture Partnership** (Zero Carbon Affordable Housing Development in Down Ampney) – forecast underspend of £0.720m. Planning application has now been submitted but issues have been identified around drainage and sewerage which are delaying the decision. Expenditure unlikely in 2024/24 and underspend likely to be carried forward to 2025/26 Capital Programme.
- **Electric Vehicle Charging Points** – the forecast position is an underspend of £0.190m following the completion of the EV Charge points at Rissington Road and Trinity Road.
- Additional EV Charge points are being installed through the Off-Street Residential Charge points Scheme (ORCS), forecast underspend of £0.158m due to installation at certain sites having specific constraints that cannot be addressed within the current March 2025 deadline.
- **Planning Documents and Scanning Solution** – not expected to be committed in 2024/25. This relates to the replacement or upgrade of the IDOX system used by Development Management and is likely to be subject to a detailed options appraisal following the transfer of the Development Management service to the Council as part of Phase 1. It is assumed that there will be no expenditure in the current financial year.
- **Provision for financing of Ubico Vehicles** – forecast underspend of £0.503m due to timing of vehicle deliveries, underspend to be carried forward to 2025/26.
- **Asset Management** – forecast underspend of £0.250m due to timing of expenditure which will be carried forward to 2025/26.

6.6 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.

Capital Receipts and Disposals

6.7 There have been no disposals or capital receipts during the first half of the financial year. Members should be aware that the Council has sought to dispose of two assets with potential capital receipts likely in Q3/Q4 (former Visitor Information Centre Bourton on the Water, Old Station and Memorial Cottages Cirencester)



Table 11 – Capital Financing Forecast

Capital Financing Statement	2024/25 OB (£'000)	2024/25 LAB (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Capital receipts	5,006	5,908	3,610	(2,298)
Capital Grants and Contributions	1,732	3,164	3,250	86
Earmarked Reserves	0	192	113	(79)
Revenue Contribution to Capital Outlay (RCCO)	0	0	0	0
Community Municipal Investments (CMI)	75	454	454	0
Prudential Borrowing	0		0	0
	6,813	9,717	7,427	(2,291)

6.8 The Capital Financing position set out in the table above will be reviewed by the s151 Officer during the year as expenditure forecasts are updated to ensure a balanced use of capital resources and mitigation of current and future interest rates.

7. NON-TREASURY MANAGEMENT SUMMARY

7.1 The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 01 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are expected to be included in the Council's usual revenue and capital monitoring reports.

Prudential Indicators

7.2 The detailed Non-Treasury Management prudential indicators are included in **Annex B** with the commentary below providing members with a high-level summary.

7.3 Whilst there is no underlying need to borrow with the Capital Programme financed through internal resources and external grants and contributions, any additional capital expenditure proposed during the year will need to consider the availability and cost of capital financing. The mid-year Treasury Management report to Audit and Governance Committee in November set out the wider impact on the Capital Financing Requirement.

8. RISKS AND UNCERTAINTIES



- 8.1** The report outlines several risks and uncertainties around the wider economic environment. Some further risks are briefly outlined below.
- 8.2 Publica Review** – as set out in paragraphs 4.27 and 4.28 this report assumes the additional (part-year) cost of Phase 1 can be contained within the amount identified in the MTFS update £0.182m. Members will be kept informed of progress with Phase 1 through the Q3 Financial Performance report with a detailed reconciliation between the actual costs incurred and the estimated impact.
- 8.3 Publica Review (Agency Staff)** – as outlined in paragraphs 5.12 and 5.13 of the Publica Review – Detailed Transition Plan, there is an emerging risk where the cost of agency staff costs may exceed the available budget for Development Management (DEV001). Further analysis of salary and agency staff costs will be undertaken with scenarios provided to set out the financial implications of options.
- 8.4 Car Park Fees Income** – as set out earlier in the report, income from Car Park fees was at the budgeted level in Q1 and Q2. There remains a risk to the outturn forecast following performance in September due to issues with payment.
- 8.5 Disabled Facilities Grant (DFGs) funding risk** – current level of expenditure is significantly above 2023/24 with funding allocated from the DFG element of the Better Care Fund. There is a risk that total county-wide commitments exceed the available funding which may result in individual Councils providing additional funding. The current forecast as set out in this report is within the agreed allocation – the financial risk is that Occupational Therapy-led referrals place additional financial pressure on the budget.

9. CONCLUSIONS

- 9.1** This monitoring report presents an update on the Council's financial position. As the report sets out, an overspend of £0.266m is forecast for the financial year which. Without mitigating or corrective action this would reduce the level of the budgeted surplus that would transfer to the Financial Resilience Reserve at year end which is not considered appropriate given the scale of the financial challenge over the MTFS period.
- 9.2** Cabinet will continue to consider the impact of the forecast outturn and the impact on earmarked reserves as part of their oversight of the savings and transformation programme.



- 9.3** It is recommended that Cabinet review in-year opportunities with Publica and Ubico and provide an update in February 2025 as part of the 2025/26 Budget reports on options to mitigate the financial position as currently forecast across the MTFS period.
- 9.4** To mitigate the risk around additional expenditure and a potential deterioration of the financial position during the rest of the financial year, the following resolutions are proposed:
- 9.5 **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.
- 9.6 **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).
- 9.7** As set out in Section 5 of the [2025/26 Budget Strategy and Medium-Term Financial Strategy \(MTFS\) Update](#) report – 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.
- 9.8** Linked to the mitigation action above, consider actions for budget holders in 2025/26 to reduce income pressure on revenue budget as part of the review of **fees and charges** from a cost recovery position.
- 9.9 **Publica Review Phase 2**** – whilst not a direct issue for this report, Phase 2 of the review 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.

10. FINANCIAL IMPLICATIONS

- 10.1** The detailed financial implications are set out in the report.



11. LEGAL IMPLICATIONS

11.1 Under Part 2 Local Government Act 2003, the Council must, from time to time during the year review the calculations it has used to set its budget. The Council's Chief Financial Officer is required to report to the Council on the robustness of estimates made for the purposes of calculating the annual budget, and on the adequacy of proposed financial reserves. Members must have regard to that report when making decisions about the calculations in connection with which it is made.

12. RISK ASSESSMENT

12.1 Section 8 of the report set out the material risks and uncertainties.

13. EQUALITIES IMPACT

13.1 None

14. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

14.1 None

15. BACKGROUND PAPERS

15.1 None

(END)