



COTSWOLD

District Council

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	OVERVIEW AND SCRUTINY COMMITTEE – 01 SEPTEMBER 2025 CABINET – 04 SEPTEMBER 2025
Subject	FINANCIAL PERFORMANCE REPORT – Q1 2025/26
Wards affected	All
Accountable member	Cllr Patrick Coleman, Cabinet Member for Finance Email: patrick.coleman@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	Michelle Burge, Chief Accountant and Deputy Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	This report sets out the first budget monitoring position for the 2025/26 financial year.
Annexes	Annex A – Capital Programme Outturn Forecast Annex B – Non-Treasury Management Prudential Indicators
Recommendation(s)	<p>That Cabinet resolves to:</p> <ol style="list-style-type: none">1. Review and notes the financial position set out in this report.2. Endorse the approach to financial management for 2025/26 as set out in paragraph 4.8 of the report.3. Endorse the principle to transfer any additional year-end surplus to the Transformation and Capacity Building earmarked reserves, as set out in paragraphs 4.10 to 4.11 of the report.4. Endorse the principle to transfer 50% of any year-end Planning Fee income (over and above the budgeted level) to the Planning Appeals earmarked reserve, as set out in paragraph 4.22 of the report.
Corporate priorities	<ul style="list-style-type: none">• Delivering Good Services



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Key Decision	YES
Exempt	NO
Consultees/ Consultation	None



1. BACKGROUND

- 1.1** This report provides members with the initial outturn forecast and monitoring position statement for the 2025/26 financial year.
- 1.2** The purpose of this report is to notify members of any significant variations to budgets, 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 inflationary pressures have eased over the last 12 months, some short-term risk remains with inflation likely to be above the Bank of England's 2.0% target for some months. The uncertainty across the wider global economy and around UK inflation and interest rates in the current financial year will exert an influence over the Council's revenue and capital budgets both directly and indirectly.

2. EXECUTIVE SUMMARY

- 2.1** This report sets out the outturn forecast for the financial year informed by Q1 budget monitoring.
- 2.2** Cabinet will review this report at their meeting on 01 September 2025.
- 2.3** Based on the budget monitoring exercise undertaken for Q1 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is a positive variation of £0.097m. This will provide the opportunity additional financial sustainability over the MTFS-period.

Table ES1 – Revenue Budget Outturn Forecast (Q1)



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	2025/26 Latest Net Budget (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
Revenue Budget				
Subtotal Services	19,165	4,366	18,958	(208)
Less: Reversal of accounting adjustments	(1,925)	0	(1,925)	0
Revised Subtotal Services	17,241	4,366	17,033	(208)
Corporate Income & Expenditure	(1,537)	(421)	(1,550)	(13)
Provisions and Risk Items	0	0	125	125
Net Budget Requirement	15,705	3,945	15,608	(97)
Funded by:				
Council Tax	(7,065)	0	(7,065)	0
Retained Business Rates	(5,117)	2,403	(5,117)	0
Government Funding - Grants	(2,527)	(635)	(2,527)	0
Government Funding - NHB	(820)	(205)	(820)	0
Extended Producer Responsibility (EPR)	(1,502)	0	(1,502)	0
Collection Fund (surplus) / Deficit	689	0	689	0
TOTAL Funding	(16,342)	1,563	(16,342)	0
Budget shortfall/(surplus)	(637)	5,508	(734)	(97)



Table ES2 – Revenue Budget – Reconciliation of variations (Q1)

	Positive variation (£'000)	Adverse Variation (£'000)	Net Outturn Variance (£'000)
Variations at a glance			
<u>Service Variations</u>			
Fees & Charges - Cemeteries		38	38
Fees & Charges - Licensing	(16)		(16)
Fees & Charges - Car Parks	(55)	0	(55)
Commercial Property - Rental income		61	61
Fees & Charges - Development Management	(249)		(249)
Legal Services - Salary underspend	(41)		(41)
Postage and Printing (Revenue & Benefits)		29	29
Other service variations		50	50
Subtotal	(361)	178	(183)
<u>Non-Service/Corporate Variations</u>			
Street Service - review of service specification	0	150	150
Development Management Fees - Appeals Risk	0	125	125
Treasury Management income	(188)	0	(188)
Subtotal	(188)	275	87
Net Outturn Variation	(549)	453	(97)

2.4 Members should note that whilst the outturn forecast is favourable there remain concerns around financial performance in certain service areas – particularly services where the Council's net revenue budget is dependent on income from fees and charges.

2.5 Income and expenditure budgets will continue to be monitored throughout the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance. .



- 2.6** Heads of Service should take steps to identify management action(s) that will address underperformance and discuss these with the finance team and the relevant Director. Financial Performance Reports in 2025/26 will include options and recommendations for corrective action where underperformance against the budget has been identified, and options for improving financial performance even if the service is achieving income and expenditure targets.
- 2.7** Heads of Service should explain financial performance in the context of service performance and outcomes. There is a risk that aspects of service performance may be reported as on or above target, with little or no reference to financial performance.
- 2.8** The financial and service reporting framework will continue to be developed by Finance and the Business and Intelligence service. This will ensure performance reporting is aligned and will support the service leads to identify potential mitigations and resolutions to improve performance.
- 2.9** As set out in the CIPFA Financial Management Code, performance reporting is important for the Council to remain financially sustainable. Members must receive timely information on its financial and operational performance so that corporate priorities are delivered within budget. Early information about emerging risks to financial sustainability are key to ensuring the Council can take effective decisions and carefully consider an effective response.
- 2.10** The Council must ensure it can address the financial challenges arising from the Fair Funding review ("FF 2.0") and Local Government Reorganisation ("LGR") over the MTFS-period.
- 2.11** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for



assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.

2.12 As set out in paragraph 2.3 and Table ES1, the initial outturn forecast for the year is favourable with an increased surplus likely at the end of the financial year.

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

2.14 It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end, subject to the final outturn position:

- Transformation and Change
- Capacity Building

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

- **Forecast income variations** – underachievement: Cemeteries (£38k), Additional Income: Licensing (£16k)
- **Car Parks** income from car park fees above budget (£55k)
- **Development Management Fees** – exceeded budget by £0.249m
- **Legal** - staff costs below budget due to vacancies filled from Q2/Q3 and contract lawyer post remaining vacant.
- **Post and Printing** - costs forecast to exceed budget by £29k, predominantly within the Revenues and Benefits service.
- **Commercial Property** rental income and vacant property costs (£61k adverse variation)



- **Street Services** for the purposes of this report, it is prudent to include a £0.150m risk variation against the £0.300m savings target.
- **Treasury Management** and interest receivable performance (£0.189m positive variation).

2.16 The 2025/26 pay award was agreed in July 2025 at 3.2%. The financial impact is in line with the assumption of 3% included in the 2025/26 budget and MTFs.

2.17 A summary of the Capital Programme outturn forecast is shown in the table below.

Table ES3 – Capital Programme Outturn Forecast

Capital Programme	2025/26 OB (£'000)	Slippage From 2024/25 (£'000)	2025/26 LAB (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn (£'000)	2025/26 Outturn Variance (£'000)
Leisure & Communities	0	64	64	20	64	0
Housing/Planning and Strategic Housing	1,718	127	1,845	353	1,600	(245)
Environment	1,132	202	1,334	97	1,259	(75)
Retained & Corporate	0	0	0	0	0	0
ICT, Change and Customer Services	350	0	350	0	350	0
UK Rural Prosperity Fund	0	0	0	0	0	0
UK Shared Prosperity Fund Projects	327	0	327	31	327	0
Land, Legal and Property	500	172	672	0	672	0
Transformation and Investment	0	0	0	0	0	0
TOTAL Capital Programme	4,027	565	4,592	501	4,272	(320)

2.18 The capital programme is a forecast underspend of £0.320m. Further details are provided in Section 6 of this report.

2.19 Financial Performance reports will be presented to members at the November 2025 and March 2026 Cabinet meeting with the outturn position likely to be finalised for the July 2026 Cabinet meeting.

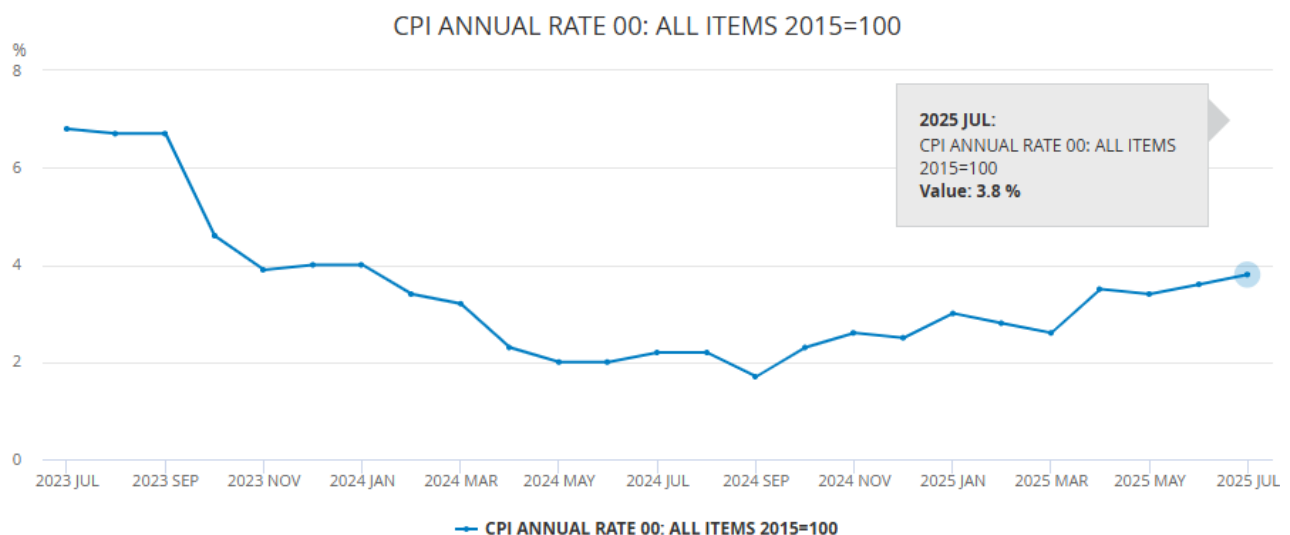


3. EXTERNAL ECONOMIC ENVIRONMENT

Inflationary Pressures

- 3.1** The level of inflation, as measured by the Consumer Prices Index, for July 2025 increased to 3.8% (from 3.6% in June 2025). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 4.8% (4.4% in June 2025). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) rose to 3.8% (3.7% in June 2025).

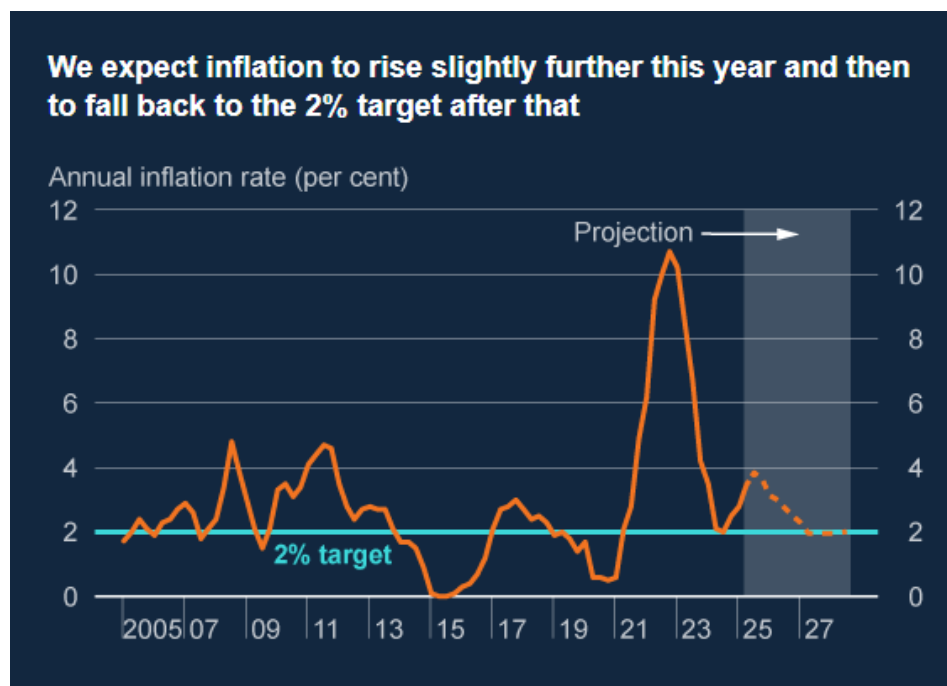
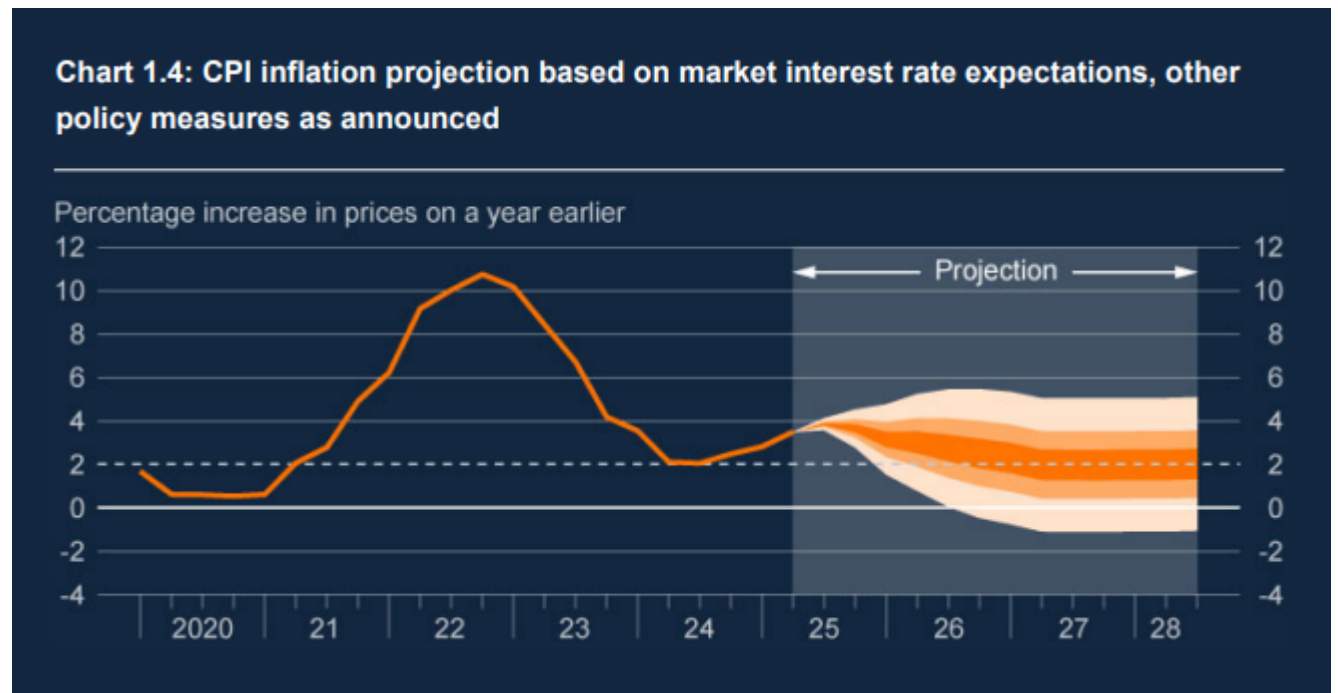
Graph A – CPI Inflation



- 3.2** Although there has been substantial disinflation over the past two years, 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** In the August 2025 Monetary Policy Report, the Bank of England indicated the rate is likely to remain above the 2% target during 2025 (peaking at around 4.0%) as the impact from higher food prices comes through. Inflation is expected to fall back to the 2% target after that. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (August 2025).



Graph B – Bank of England Fan Chart - Inflation

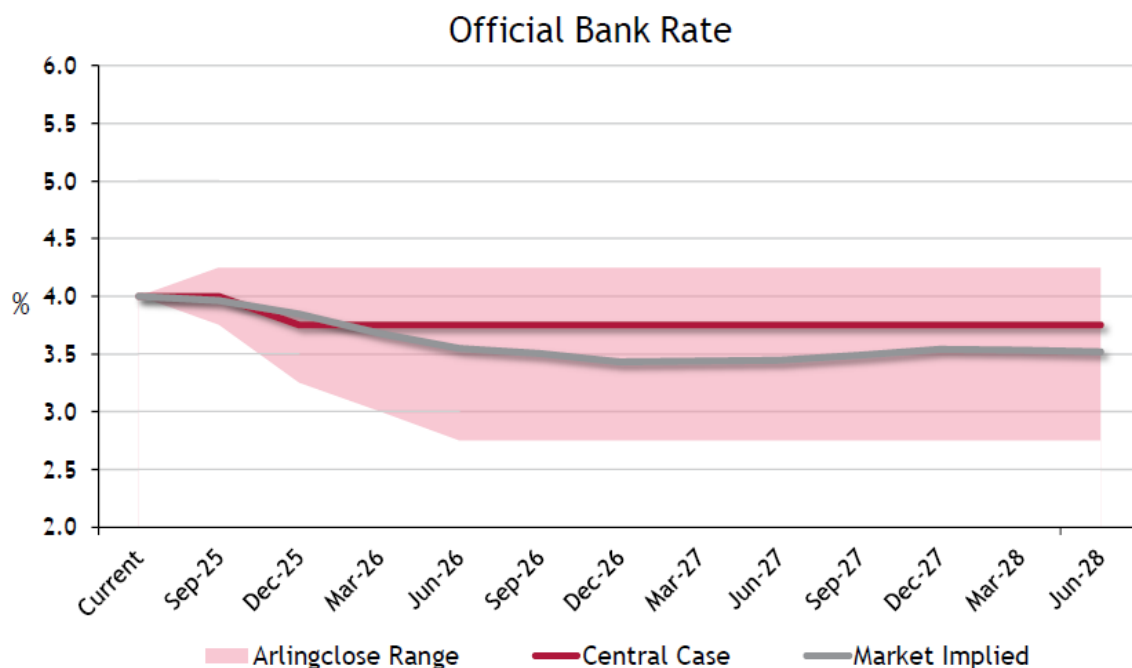




Interest Rates

- 3.4** The Bank of England reduced the Base rate in August 2025 by a further 0.25% in response to “substantial disinflation over the past two and a half years” taking the base rate to 4.00% The council’s treasury management advisors have forecast that the rate will continue to reduce, with one further cut expected in 2025. The next MPC meeting is scheduled for 18 September 2025.
- 3.5** The expectation is for further rate reductions during 2025 (aligned to the publication of the Monetary Policy Report each quarter) to a low of 3.75%. However, with the July 2025 inflation rate increasing, there may be a reduced opportunity for further rate reductions in the calendar year.

Graph C – Interest Rate Forecast (August 2025)



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



4. 2025/26 REVENUE BUDGET FORECAST

- 4.1** The Revenue Budget was approved by Council at their meeting on 24 February 2025 with no adjustments made during the financial year to date.

Table 1 – Revenue Budget reconciliation

Budget Item	(£'000)
Original Budget (Council, 24 February 2025)	15,704
Adj:	
Adj:	
Adj:	
Adj:	
Latest Budget	15,704

- 4.2** The revenue budget will be adjusted during the financial year as budgets are amended to reflect the transfer of services from Publica to the Council in Phase 2 of the Publica Transition. Whilst the net budget position (£15.704m) will not change, the composition of the budget (i.e. subjective split between Pay and Non-Pay budgets) and net service budgets will be amended in Q2.
- 4.3** With Phase 2 services and direct budgetary responsibility transferring from Publica to the Council in July 2025 members should expect to see material adjustments to service budgets in the financial performance reports during 2025/26.
- 4.4** As of 30 June 2025 (Q1) the Council's net expenditure (excluding Funding and Parish Precepts) was £3.945m against the profiled budget of £4.327m.
- 4.5** The outturn forecast for 2025/26 of £15.483m results in a forecast variance of £0.097m. Table 2 provides members with an overview of the material outturn variations that have been forecast across services with Tables 3 providing detail on the non-service revenue expenditure and income budgets.



Table 2 – Revenue Budget Outturn Forecast Summary

	2025/26 Latest Net Budget (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
Revenue Budget				
Environmental & Regulatory Services	695	144	678	(16)
Business Sup. Svcs - Finance, HR, Procurement	1,425	435	1,425	0
ICT, Change & Customer Services	2,502	632	2,502	0
Assets, Property & Regeneration	838	273	833	(4)
Publica Executives and Modernisation	104	26	104	0
Revenues & Housing Support	842	1,154	871	30
Environmental Services	4,761	812	4,744	(17)
Leisure & Communities	2,359	360	2,374	16
Planning & Strategic Housing	1,682	(452)	1,433	(249)
Democratic Services	1,366	333	1,362	(3)
Retained and Corporate	2,593	649	2,631	38
Subtotal Services	19,165	4,366	18,958	(208)
Less: Reversal of accounting adjustments	(1,925)	0	(1,925)	0
Revised Subtotal Services	17,241	4,366	17,033	(208)
Corporate Income & Expenditure	(1,537)	(421)	(1,550)	(13)
Provisions and Risk Items	0	0	125	125
Net Budget Requirement	15,705	3,945	15,608	(97)
Funded by:				
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Collection Fund (surplus) / Deficit	689	0	689	0
TOTAL Funding	(16,342)	1,563	(16,342)	0
Budget shortfall/(surplus)	(637)	5,508	(734)	(97)



Table 3 – Corporate Income and Expenditure/Provisions and Risk

	2025/26 Revised Budget (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
Corporate Income and Expenditure				
Savings & Contingency Items	598	(78)	773	175
Treasury Management - Interest Payable	5	1	5	0
Treasury Management - Interest Receivable	(1,303)	(345)	(1,491)	(188)
Minimum Revenue Provision (MRP)	9	0	9	0
Transfer to/(from) Earmarked Reserves	(846)	0	(846)	0
	(1,537)	(421)	(1,550)	(13)

	2025/26 Revised Budget (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
Provisions and Risk				
Development Management Fees - Appeals Risk			125	125
	0	0	125	125

- 4.6** As outlined, the forecast outturn position is a net underspend/favourable variance of £0.097m which increases the level of budgeted surplus in-year.
- 4.7** The Council must ensure it can address the financial challenges arising from the Fair Funding review ("FF 2.0") and Local Government Reorganisation ("LGR") over the MTFS-period.
- 4.8** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.



4.9 As set out in paragraph 2.3 and Table ES1, the initial outturn forecast for the year is favourable with an increased surplus likely at the end of the financial year.

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

4.11 It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end, subject to the final outturn position:

- Transformation and Change
- Capacity Building

4.12 This assumes that there are no additional expenditure commitments that would require support from the Financial Resilience Reserve (FRR). For the avoidance of doubt, the working assumption in the outturn forecast is:

- there is no material deterioration in the outturn forecast in Q2-Q4.
- additional expenditure in any particular service area is offset by a corresponding decrease in expenditure in other service areas.

Key Variations

4.13 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.

4.14 For the purposes of this report a risk provision of £0.150m has been included against the cost reduction of £0.300m included in the 2025/26 revenue budget for the **Street**



Cleaning. 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. Following a review of service operations by APSE (Association of Public Service Excellence), and options for cost reduction are being reviewed and tested ahead of any decision on service design. Further due diligence will be undertaken on the scope and delivery of cost reductions for consideration by Cabinet during 2025/26.

4.15 Where income shortfalls have been forecast, it is expected that Business Managers and Assistant Directors evaluate options for corrective action. 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.

4.16 Cemetery fees – forecast shortfall in income of £38k due to lower service use in Q1. Whilst this position may change during the year, it is prudent for budget monitoring purposes to include the variation.

4.17 Licensing income – is forecast to exceed budget by £16k largely in respect of taxi drivers' licences.

4.18 Development Management fees - overachievement of planning fees by £0.249m at Q1. This includes £0.389m of Planning Fees (13 Major and 401 Other) (budget of £0.219m) £0.049m of Pre-Application fees (69 from developers and 65 from households) (budget of £0.036m). 372 non-fee applications have also been processed.

4.19 The service has overachieved in planning application fee income as a result of a series of major housing and other developments that came forward within Q1. Following the changes to the National Planning Policy Framework in December 2024, the Council can no longer demonstrate a 5-year housing land supply. This has resulted in a number of speculative housing developments coming forward in Q1:

- 195 dwellings in Moreton-In-Marsh



- 98 dwellings in Fairford
- 120 dwellings in Mickleton
- Solar farm near Siddington.

4.20 Whilst it is difficult to forecast whether this increase in major developments will continue, the team are receiving a number of pre-application enquiries relating to other potential future developments. There is a strong likelihood that further schemes will come forward throughout the rest of the financial year if a number of these pre-applications progress to full application stage.

4.21 This increase in planning applications (and associated income from fees) for major housing developments does bring additional risks. As a large number of these schemes are speculative, it is likely that a number will be refused permission and will therefore result in appeals. Given the scale of development, there is a high chance appeals are dealt with as informal hearings or inquiries which bring greater costs to the Council. Planning permission was recently refused for 54 dwellings in Lechlade, which is likely to result in an appeal submission in late 2025/early 2026.

4.22 It is proposed to hold 50% of the forecast additional income as a risk provision. This will have the effect of reducing the net variation during the financial year. Subject to the final outturn position for Development Management Fees remaining positive (i.e. income received in the year is above the budgeted level), it is also proposed that 50% of the variation is transferred to the Planning Appeals reserve.

4.23 The Council is not expected to achieve the budgeted level of commercial rental income from its **Investment Properties** due to ongoing economic challenges in the retail and office sectors, which are exerting downward pressure on rents. A forecasted income shortfall of £0.061m is forecast primarily related to the out-of-district investment property (former Wilko's store in Great Bridge, Tipton). A lease with a new tenant was agreed earlier in the calendar year with occupation commencing in July 2025 following fit-out. In common with most commercial lettings, the lease agreement includes a six-month rent-free period. The variation arises due to the new lease commencing later



than anticipated than the budget assumption, and additional empty property costs over the time period.

4.24 Reduced energy costs following the installation of Solar PV at Trinity Road and rental income from the **tenanted areas of Trinity Road Offices** is currently on track to meet the budgeted target of £0.025m for the 2025/26 financial year. Updates from Watermoor Point (live data dashboard highlighting occupation and enquiries) assist officers alongside the more formal quarterly performance meetings.

4.25 Income from the Council's **Car Parks** has performed positively in the first quarter of 2025/26 exceeding budget by £0.055m. Income from Car park permits, and Penalty Charge Notices (PCNs) is on target for the first quarter of the financial year. Income budgets for 2025/26 were reduced to reflect current financial performance and ensure the budget estimates approved by Council in February 2025 were robust. However, the service will need to develop an action plan setting out options to address the financial performance including a review the car park strategy and approach to enforcement.

4.26 Building Control – Q1 has seen an improvement in performance compared to 2024/25. Market share is averaging 69% in Q1 with 140 applications processed, reflecting a 12% increase in market share compared to the same period last year. Application volumes have remained steady, with only a slight year-on-year increase of 9. Q1 expenditure is below budget by £13k due to a vacancy and income has exceeded the budget by £0.013m. The building regulation fees were increased for the 2025-26 financial year to better reflect the costs of running the service. The service has also identified an opportunity to increase market share. Forecast outturn is currently reported as being in line with budget but will be reviewed in Q2.

4.27 Public Conveniences – Income from public conveniences charges is in line with the budget. Further options will need to be considered during 2025/26 to ensure the net subsidy required to operate the Public Conveniences of £0.164m (2025/26 budget



excluding depreciation and assumes income from fees of £0.110m) can be minimised or reduced entirely.

4.28 Land Charges – income is on target, at Q1 (£0.048m). Application volumes have seen a notable increase in Q1 2025/26, with 446 searches received, compared to 355 in Q1 2024/25. This represents a 26% year-on-year rise, significantly above the typical quarterly average of around 340 applications.

4.29 Green Waste fees are expected to achieve budgeted income of £1.588m by the third quarter of the 2025/26 financial year, income is (£0.045m) below the profiled budget at Q1. There is an expectation that additional licences will be issued between July and September (925 were issued during this period in 2024/25) particularly if the district experiences more rainfall than it has over recent months.

4.30 The Council's shared legal service, delivered in partnership with West Oxfordshire District Council and Forest of Dean District Council, is forecast to be underspent by (£0.041m) by year end. This variance is primarily due to vacancies in two shared roles: a Paralegal and a Property Lawyer, both of which have not yet been appointed but are expected to commence in Q2 and Q3 respectively. Additionally, a vacancy remains for a Contract Lawyer, which is not expected to be filled.

4.31 Despite an increase in budget of £0.030m in 2025/26, Expenditure in respect of **postage and printing** within the revenues and benefits service is forecast to be overspent by £0.029m by the end of the financial year. Additional analysis will be required in 2025/26 to understand the position and analyse the cost pressure arising from the additional work associated with the LIFT project.

4.32 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 2025/26 of £8.863m is forecast to cost £8.912m – an adverse variation of £0.049m This is predominantly due to additional costs of £0.091m due to higher than estimated vehicle hire and repair costs offset by savings from lower than budgeted diesel costs due to favourable pump price compared to budget (£0.039m).



Officers will work closely Ubico with the expectation that the service should be delivered within the contract sum and the forecast overspend should be mitigated/absorbed elsewhere within the contract. The table below provides members with an overview of the financial performance of the Ubico Contract (table 5).

Table 5 – Ubico Contract Monitoring

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Ubico Contract Costs OB (£'000)	Ubico Contract Costs CS (£'000)	Outturn (£'000)	Outturn Variance (£'000)
Car Parks GM [CTW668]	68	68	67	(1)
CCM001 Cemetery/Churchyards GM [CTW688]	166	166	162	(4)
RYC002 Garden Waste Collection [CTW634]	1,310	1,310	1,303	(6)
WST001 Household Waste [CTW611]	1,844	1,844	1,846	2
RYC001 Recycling [CTW633]	3,340	3,340	3,396	56
RYC003 Refuse/Recycling/Food Waste [CTW635]	732	732	733	1
STC001 Street Cleaning [CTW666]	1,387	1,387	1,388	1
Trinity Road Offices GM [CTW668]	17	17	17	(0)
Grand Total	8,863	8,863	8,912	49
Net variation on contract				49

Treasury Management

4.33 Dividends from the Council's longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.150m were received in the three months to the 30 June 2025 year achieving a return of 6.31% Interest from short term cash deposits including the Debt Management Office (DMO) was £0.199m due to higher surplus balances and interest rates remaining at a higher level than assumed in the budget and MTFs.

4.34 It should be noted that the budgeted level of net investment income for 2025/26 is £1.208m – a decrease of £0.077m over the 2024/25 budgeted level and recognises the current interest rate position. This is a prudent estimate for the year and is lower than the final 2024/25 level of investment income achieved of £1.621m given the forecast interest rate reductions over the financial year.



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- 4.35** 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 2026/27 reducing to around £0.700m with a further reduction to £0.500m by 2027/28.
- 4.36** A prudent forecast of investment income has been included in the outturn forecast of £1.327m. This includes the expectation that the base rate will continue to reduce, with two further cuts expected in 2025.
- 4.37** 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 June 2025.



Table 6 – Treasury Management Investments

Investment type	Balance invested at 30/06/25 (£'000)	Investment Income received to 30/06/25 (£'000)	2025/26 Forecast (£'000)
Bank of England DMDAF	7,650	94	418
Money Market Funds			
Federated Money Market Fund	3,000	33	132
DGLS Money Market Fund	3,000	33	132
Insight Liquidity Money Market Fund	3,000	27	127
Lloyds Instant Access	1,780	4	16
Other Short-term deposits	1,001	8	10
Real Estate Investment Trusts (REIT)			
Fundamentum Housing REIT	660	8	30
Cash Plus Fund			
Federated Cash Plus Fund	1,222	-	-
Pooled Funds			
CCLA Property Fund	2,198	25	93
Shroders Income Maximiser Fund	908	10	54
CCLA Better World Multi Assets Fund	938	11	30
M&G UK Income Fund	1,880	54	104
Ninety-One Investec Diversified Fund	1,823	21	98
Columbia Threadneedle Bond Fund	1,958	21	83
	31,018	349	1,327

4.38 Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 24 February 2025. 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.

4.39 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

4.40 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.

4.41 As outlined earlier in the report, a risk provision of £0.150m has been included in the outturn forecast for the Street Cleaning savings against a target of £0.300m.

4.42 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.

5. PUBLICA REVIEW

5.1 Council approved the Detailed Transition Plan for Phase 2 of the transition of services from Publica at their meeting in March 2025. The 2025/26 revenue budget included provision for increased cost of services estimated at £0.225m (£0.300m full-year impact) as per the MTFS report, with the DTP revising the estimate to £0.245m.

5.2 to the Council was completed in July 2025 with the following services transferring.

- Property and Estates



- Waste Contract Management
- Leisure Contract Management
- Projects and Project Management
- Human Resources Business Partner

5.3 The assumption in the Q1 forecast is that the overall cost of Phase 2 remains within the £0.225m included as a provision in the revenue budget. However, it is expected that the in-year cost will be lower than the budgeted amount due to a number of vacancies transferring to the Council. An updated forecast with analysis of variations will be included in the 2026/27 Budget Strategy and MTFS Update report to Cabinet in October 2025 with further updates in the Financial Performance reports.

5.4 The current estimate for the Council's share of redundancy and pension strain costs for Phase 2 is within the amount set aside within the Financial Resilience reserve and Publica Review Reserve (£0.300m).

6. CAPITAL PROGRAMME

6.1 Council approved the Capital Programme for 2025/26 at their meeting on 24 February 2025. The Capital Programme has been updated to reflect adjustments as set out in Table 8 below and was approved by Cabinet in July 2025.

6.2 The capital programme for 2025/26 is £4.592 with a total net spend at £0.501m as at 30 June 2025.



Table 7 – Capital Programme budget reconciliation

Capital Programme Reconciliation	(£'000)
Original Budget (Council, 24 February 2025)	4,027
Slippage from 2024/25(Cabinet 10 July 2025)	565
Latest Budget	4,592

Table 8 – Capital Programme Outturn Forecast

Capital Programme	2025/26 OB (£'000)	Slippage From 2024/25 (£'000)	2025/26 LAB (£'000)	2025/26 Actuals to Q1 (£'000)	2025/26 Outturn (£'000)	2025/26 Outturn Variance (£'000)
Leisure & Communities	0	64	64	20	64	0
Housing/Planning and Strategic Housing	1,718	127	1,845	353	1,600	(245)
Environment	1,132	202	1,334	97	1,259	(75)
Retained & Corporate	0	0	0	0	0	0
ICT, Change and Customer Services	350	0	350	0	350	0
UK Rural Prosperity Fund	0	0	0	0	0	0
UK Shared Prosperity Fund Projects	327	0	327	31	327	0
Land, Legal and Property	500	172	672	0	672	0
Transformation and Investment	0	0	0	0	0	0
TOTAL Capital Programme	4,027	565	4,592	501	4,272	(320)

6.3 The outturn forecast for the current year is an underspend of £0.320m. **Annex A** sets out the detailed forecast outturn with commentary from budget holders and is summarised in table 9 above.

6.4 The significant variations forecast on the Capital Programme are:

- **Private Sector Housing Renewal (Disabled Facilities Grant)** - Estimated that the annual expenditure will be approximately £1.6m resulting in an underspend of £0.175m.
- **Bromford Joint Venture - (£0.070m)** Planning consent was granted on the 12 March, However Bromford need to resolve issues around drainage which is



delaying the commencement of the work. This may delay commencement of works until 2027 unless Thames Water will bring their upgrade plans forward.

- **Replacement/Upgrade of Pay and Display Machines** – Although the tendering process for a new supplier has commenced. Installation not expected until 2026/27 (£0.125m)
- **Public Conveniences** – Accelerated rollout of payment devices including new doors at West Street (Tetbury), Chipping Campden, Lechlade, Northleach, and replacement paddle gates at the two facilities in Bourton-on-the-Water (Rissington Road and Church Rooms). Additional spend will be funded from capital receipts.

- 6.5** 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

- 6.6** There have been two disposals of assets during the first quarter of the financial year, the former Visitor Information Centre at Bourton on the Water (£0.242m) and the Old Station, Cirencester (£0.080m). The sale of Memorial Cottages is scheduled to complete in Q2 generating capital receipts of £0.281m. Right to Buy (RTB) receipts of £0.032m have been received from Bromford Housing during Q1 in relation to housing stock sold previously owned by the Council.



Table 9 – Capital Financing Forecast

	2025/26 OB (£'000)	Slippage From 2024/25 (£'000)	2025/26 LAB (£'000)	2025/26 Outturn (£'000)	2025/26 Outturn Variance (£'000)
Capital Financing Statement					
Capital receipts	2,052	221	2,273	3,785	1,512
Capital Grants and Contributions	1,975	251	2,226	394	(1,832)
Earmarked Reserves	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	0	0	0	0	0
Community Municipal Investments (CMI)	0	93	93	93	0
Prudential Borrowing	0	0	0	0	0
	4,027	565	4,592	4,272	(320)

- 6.7** The Capital Financing position set out in the table above will be reviewed by the s151 Officer as part of the financial year end closedown process 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 Indicator

- 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 will 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 and achieving the Street Service savings of £0.300m.
- 8.2** A further risk has been identified concerning the additional Development Management fees received in Q1 and the forecast for the financial year. With an increase in speculative applications, it is prudent to set aside 50% of any potential additional income against planning appeals.

9. CONCLUSIONS

- 9.1** Members should note that whilst the outturn forecast is favourable there remain concerns around financial performance in certain service areas – particularly services where the Council's net revenue budget is dependent on income from fees and charges.
- 9.2** Income and expenditure budgets will continue to be monitored throughout the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance.
- 9.3** Heads of Service should take steps to identify management action(s) that will address underperformance and discuss these with the finance team and the relevant Director. Financial Performance Reports in 2025/26 will include options and recommendations



for corrective action where underperformance against the budget has been identified, and options for improving financial performance even if the service is achieving income and expenditure targets.

- 9.4** Heads of Service should explain financial performance in the context of service performance and outcomes. There is a risk that aspects of service performance may be reported as on or above target, with little or no reference to financial performance.
- 9.5** The financial and service reporting framework will continue to be developed by Finance and the Business and Intelligence service. This will ensure performance reporting is aligned and will support the service leads to identify potential mitigations and resolutions to improve performance.
- 9.6** As set out in the CIPFA Financial Management Code, performance reporting is important for the Council to remain financially sustainable. Members must receive timely information on its financial and operational performance so that corporate priorities are delivered within budget. Early information about emerging risks to financial sustainability are key to ensuring the Council can take effective decisions and carefully consider an effective response.
- 9.7** The Council must ensure it can address the financial challenges arising from the Fair Funding review ("FF 2.0") and Local Government Reorganisation ("LGR") over the MTFS-period.
- 9.8** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.
- 9.9** As set out in paragraph 2.3 and Table ES1, the initial outturn forecast for the year is favourable with an increased surplus likely at the end of the financial year.



- 9.10** The revenue budget is likely to come under further pressure in 2026/27 and 2027/28 as the Council considers the impact from LGR and ensures services continue to be provided to residents as usual. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government's decision.
- 9.11** It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves at year end, subject to the final outturn position:
- Transformation and Change
 - Capacity Building
- 9.12** The increase in major planning applications (and associated income from fees) for housing developments does bring additional risks. As a large number of these schemes are speculative, it is likely that a number will be refused permission and will therefore result in appeals. Given the scale of development, there is a high chance appeals are dealt with as informal hearings or inquiries which bring greater costs to the Council. Planning permission was recently refused for 54 dwellings in Lechlade, which is likely to result in an appeal submission in late 2025/early 2026.
- 9.13** It is proposed to hold 50% of the forecast additional income as a risk provision. This will have the effect of reducing the net variation during the financial year. Subject to the final outturn position for Development Management Fees remaining positive (i.e. income received in the year is above the budgeted level), it is also proposed that 50% of the variation is transferred to the Planning Appeals reserve.
- 9.14** This monitoring report presents an update on the Council's financial position. As the report sets out, an underspend of £0.097m is forecast for the financial year which will



result in a transfer to the Transformation and Change Reserve at year end in order to fund capacity building in preparation for LGR.

- 9.15** Members should note that whilst the outturn forecast has improved, there remain concerns around financial performance in certain service areas – particularly services where the Council’s net revenue budget is dependent on income from fees and charges. The report has provided reference to mitigation or actions that will be discussed with service leads to address and agree management actions.

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



COTSWOLD
District Council

14. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

14.1 None

15. BACKGROUND PAPERS

15.1 None

(END)