



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>CABINET – 05 FEBRUARY 2026</b>
Subject	<b>2026/27 REVENUE BUDGET, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY</b>
Wards affected	All
Accountable member	Patrick Coleman, Cabinet Member for Finance Email: <a href="mailto:patrick.coleman@cotswold.gov.uk">patrick.coleman@cotswold.gov.uk</a>
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>
Summary/Purpose	To present the Revenue Budget for 2026/27, Capital Programme and Medium-Term Financial Strategy for 2026/27 to 2029/30
Annexes	<b>Annex A – NOT INCLUDED (Section 25 Statement)</b> Annex B – Medium Term Financial Strategy 2026/27 to 2029/30 Annex C – Budget Pressures and Savings Annex D – Capital Programme 2026/27 to 2029/30 Annex E – DRAFT Annual Capital Strategy 2026/27 Annex F – DRAFT Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2026/27 <b>Annex G – NOT INCLUDED (Detailed Revenue Budgets 2026/27)</b> Annex H –Strategy for the Flexible Use of Capital Receipts Annex I –Budget Consultation Responses
Recommendation(s)	Cabinet is requested to consider and approve for recommendation to Council: <ol style="list-style-type: none"><li>1. the Medium-Term Financial Strategy set out in Annex B</li><li>2. the Budget Pressures and Savings for inclusion in the budget,</li></ol>



	<p>set out in Annex C</p> <p>3. the Council Tax Requirement of £7,419,716 for this Council</p> <p>4. the Council Tax level for Cotswold District Council purposes of £163.93 for a Band D property in 2026/27 (an increase of £5)</p> <p>5. the Capital Programme, set out in Annex D</p> <p>6. the Annual Capital Strategy 2026/27, as set out in Annex E</p> <p>7. the Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2026/27, as set out in Annex F</p> <p>8. the Strategy for the Flexible use of Capital Receipts, as set out in Annex H</p> <p>9. that £2m is set aside in a new earmarked reserve Council Priority: LGR Transition through the releasing of £2m of the balance currently held in the Financial Resilience Reserve.</p> <p>10. the balances and reserves forecast for 2026/27 to 2029/30 as set out in Section 7 of the report.</p> <p>Cabinet is recommended to approve delegation to the Council's Deputy Chief Executive, in consultation with the Chief Executive, Leader, and Cabinet Member for Finance</p> <p>11. To agree changes to the General Fund Summary arising from the Final Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.</p>
Corporate priorities	<ul style="list-style-type: none"><li>• Preparing for the future</li><li>• Delivering good services</li><li>• Responding to the climate emergency</li><li>• Delivering housing</li><li>• Supporting communities</li><li>• Supporting the economy</li></ul>
Key Decision	YES
Exempt	NO



Consultees/ Consultation	The 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Strategy has been developed in consultation with the Council's statutory officers, Publica management, Ubico management, and members of the Cabinet. Consultation has been carried out with members of the Overview and Scrutiny Committee and with the district's residents, businesses and community organisations.
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## **1. EXECUTIVE SUMMARY**

**1.1** The budget and Medium-Term Financial Strategy (MTFS) have been prepared in the context of ongoing pressures on the Council's finances.

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

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

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

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

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

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

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



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

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

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



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



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

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

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

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

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

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

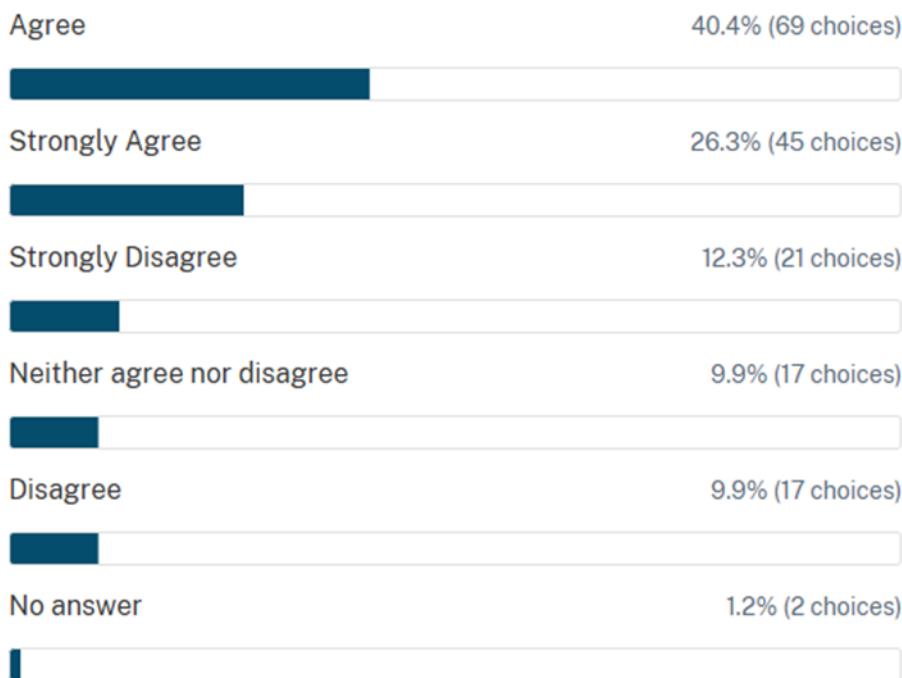
**1.11** A £5 increase in Council Tax formed part of the Budget Consultation undertaken in December 2025 through to January 2026. The results of the consultation exercise



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

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

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



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



### Balanced Budget Requirement

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

**Table ES2 – Summary Medium Term Financial Forecast**

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



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

**1.16** The level of savings set out in the MTFS does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term.

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

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



### Budget Pressures, Inflation and Risk

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

**Table ES2 – Inflation and Budget Pressures**

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

### Savings, Income and Cost reductions

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

**Table ES3 – Savings**

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



### Balances and Reserves

**1.20** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council. The review has taken into account guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).

**1.21** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

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

**1.23** The General Fund Balance has been assessed taking account of the strategic, operational, and financial risks facing the authority and the underlying budgetary assumptions. This includes:

- The treatment of inflation and interest rates
- Level and timing of estimated capital receipts
- Treatment of demand-led pressures
- Treatment of planned efficiency savings
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, or major capital developments
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject to

**1.24** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g. Business Rates, Government funding changes). Given the budget gap identified over the MTFS



period, the Council must identify and deliver new savings to ensure this reserve is adequate.

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

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

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

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

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



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

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

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

- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.

**1.30** If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below.



**Table ES4 – Reserves and Balances Forecast**

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

Capital Programme 2025/26 to 2028/29

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

**1.32** The Council has set out its Capital Programme for the period 2026/27 to 2029/30 based on the principles of the current Capital Strategy. This is summarised in the table below and in further detail in Annex D of this report. A total capital expenditure budget of £9.538m in 2026/27 is proposed. Total expenditure over the



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

**Table ES5a – Summary Capital Programme**

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

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

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



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

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

**Table ES5b – Summary Capital Financing Statement**

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

### Conclusions

**1.36** Despite the uncertainties earlier in 2025 around Local Government Funding Reforms, the outcome from the provisional local government finance settlement and the approach the Council has taken during 2025/26 to mitigate future financial risk, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.



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

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

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

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

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

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

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



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

## **2. BACKGROUND**

- 2.1 A significant budget gap was identified in the February 2023, February 2024, and February 2025 MTFS forecasts.** The indicative position outlined for 2026/27 through to 2029/30 was an unfunded budget gap of £20.405m (£12.750, 2026/27 to 2028/29), as reported to Council in February 2025.
- 2.2** Under the Local Government Finance Act 1992 (as amended), the Council is legally required to set a balanced budget for the following financial year and remains in balance. Section 114 of the Local Government Finance Act 1998 requires the Section 151 Officer to report to all Members if there is likely to be unlawful expenditure or an unbalanced budget.
- 2.3** In common with the almost all local authorities, the council is exposed to external budget pressures over the medium-term. There remains uncertainty around inflation in the current financial year which have an influence over the Council's budget for 2026/27 and the MTFS period both directly and indirectly. Interest rates have been reduced during 2025/26 with some uncertainty as to the timing of future interest rate changes.
- 2.4** Several local authorities have indicated they are facing significant financial difficulties and are likely to request support from the Government through the Exceptional Financial Support (EFS) scheme. It is likely the number of Councils requesting EFS for 2026/27 will be significantly higher.
- 2.5** Analysis and commentary from the Local Government Association ahead of the November 2025 budget highlighted the concern from the sector of EFS:



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

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

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

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

- 2.6 There is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or consider issuing a section 114 notice.**
- 2.7 Members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.** For the purposes of this report in assessing the risk of the Council applying for EFS it is assumed that either
  - the budget gap will be closed sufficiently.
  - subject to a reprioritisation of earmarked reserves, the quantum of earmarked reserve balances forecast over the MTFS-period are adequate. Any application for EFS would consider whether the council could utilise



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

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

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

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

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

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

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

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

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



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

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

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

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



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

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



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

**Table 1a – Core Spending Power (as published)**

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

**Table 1b – Core Spending Power (summarised)**

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



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

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

**2.19** The Council holds earmarked reserves for specific purposes. Members should consider the wider Reserves and Balances Strategy (as set out in Section 7 of this report), as there may be competing demands:

- maintaining financial sustainability over the MTFS period and balanced budget requirement
- mitigating financial and demand-led risks
- providing funding for council priorities and planned future expenditure.
- one-off funding to help maintain or enhance service provision.

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

### **3. EXTERNAL ECONOMIC ENVIRONMENT**

**3.1** As reported to Cabinet during the year, there are a number of external economic pressures on the Council that will have a material impact on the 2026/27 budget and MTFS.

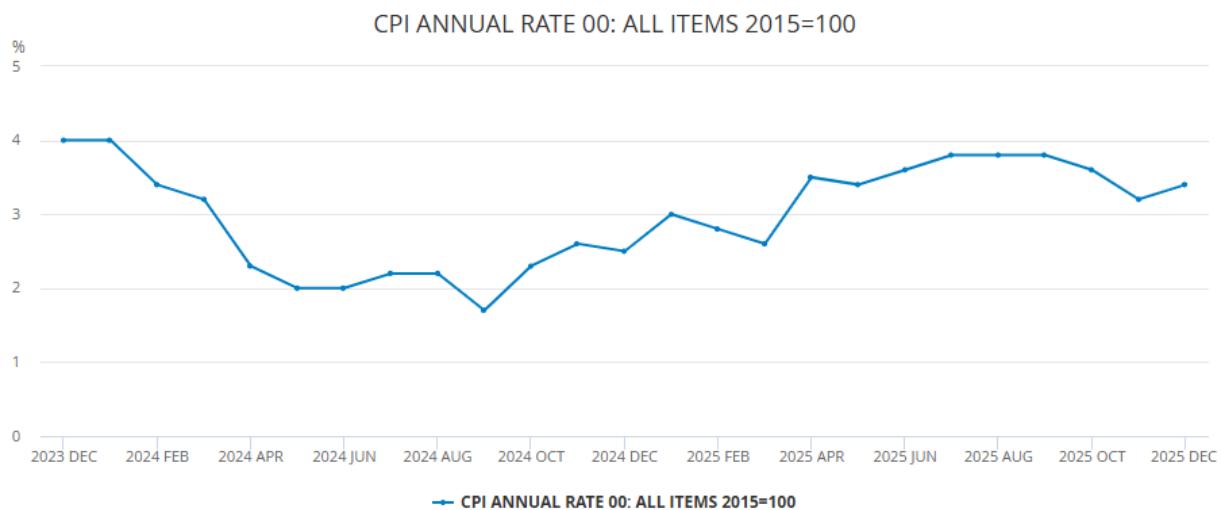
#### **Inflationary Pressures**

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



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

### **Graph A – CPI Inflation**

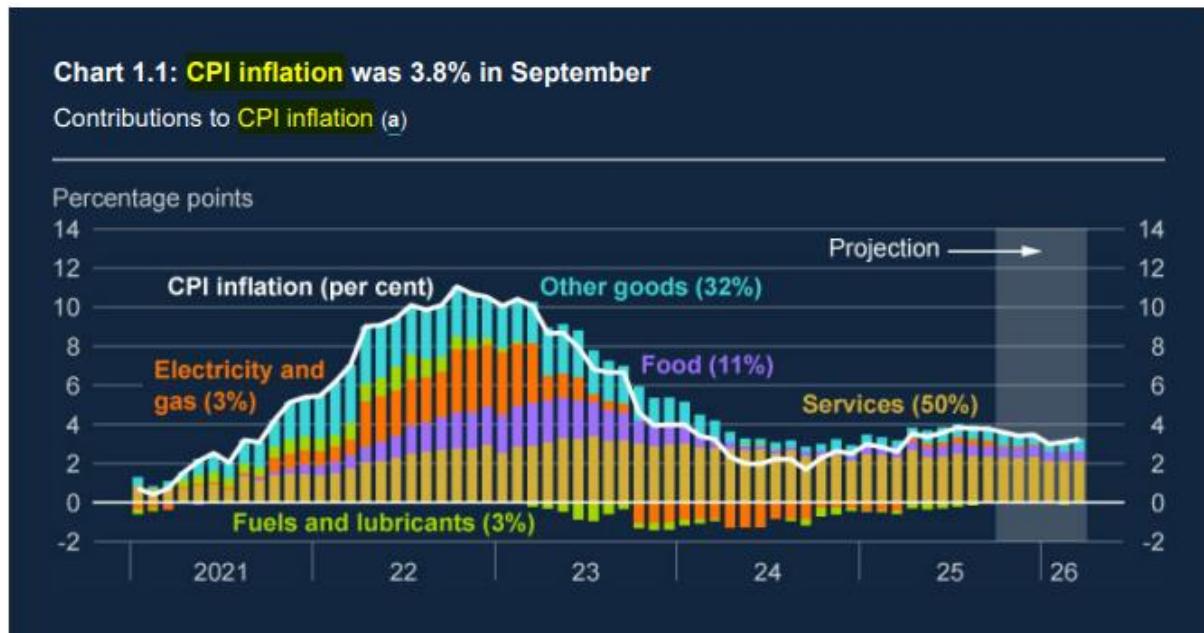


**3.3** Although inflation has reduced since 2023 it has risen from a low of 1.7% in September 2024 to a peak of 3.8% by September 2025. Following a period of lower inflation, the December 2025 release broke that trend with the 0.2% increase. The Council is subject to specific inflationary pressures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

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



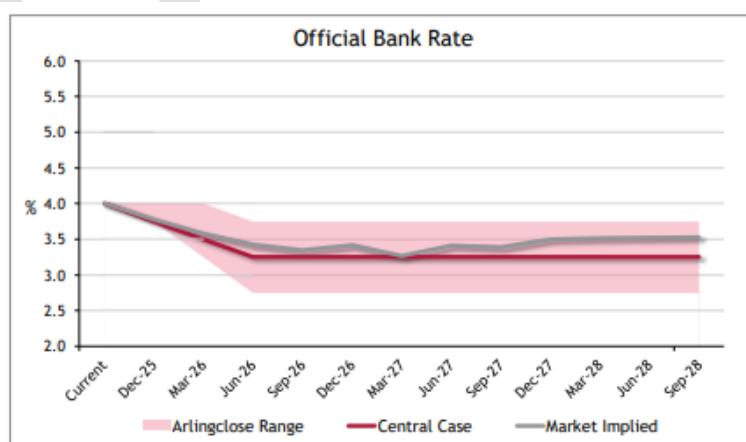
### Graph B – Bank of England Fan Chart – Inflation



### Interest Rates

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

### Graph C – Interest Rate Forecast (December 2025)





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

**3.7** With interest rates expected to continue to reduce slowly the forthcoming financial year, the Council will need to ensure capital expenditure and capital financing decisions are made 'in the round.' This will ensure that existing and new capital schemes are not considered in isolation and are prioritised against the Council's Corporate Plan and reference to affordability and deliverability.

### **Economic Outlook**

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

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

## **4. 2024/25 REVENUE BUDGET**

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



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

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

## **5. LOCAL GOVERNMENT REORGANISATION**

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

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

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

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

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



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

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



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

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

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

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

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

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

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

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



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

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

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

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

**6.1** As stated earlier in the report, budget and MTFS have been prepared in the context of ongoing pressure on the Council's finances. The impact from the external economic environment on service expenditure and income, and the continuation of constraints of government policy (funding and devolution) means the budget and medium-term are subject to considerable uncertainty.

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

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



**6.4** Service budgets have been updated for 2026/27, along with forecasts of Corporate Income and Expenditure budgets. Given the volatility in the economy and uncertainty around future prices, inflationary provision has been included as a separate item and assumes:

- Pay inflation of 3% (Publica) and 3% (Ubico plus a further 1% held by CDC as a contingency).
- Price inflation on major contracts (Publica and Ubico), utilities, and IT costs (in-line with the approach set out in the Budget Strategy). Additional inflationary provision has been made in the budget and across the MTFS period recognising energy price rises.

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

**6.6** An increase of £0.309m has been reflected in fees and charges that have been subject to review or increased in-line with the September 2025 CPI inflation rate of 3.8%. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.

#### **Budget Pressures**

**6.7** The table below provides an overview of the material service budget changes by service area and a brief outline of the reason for the budget change. For the purposes of this report, a material change is considered to be +/- £20k. There are likely to be several factors behind a net change in service budgets – impact of inflation, changes in income projections, impact of Phase 1 of the Publica transition, movements between different cost centres within a service area.



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

**Table 2 – Budget Pressures**

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

**6.9** Budget Pressures have been reviewed, challenged, and validated and only included in the MTFS where there is a clear business need or a wider strategic requirement to invest in service delivery. Budget Pressures can broadly be categorised as summarised below. Where income pressures have been identified this is largely where the current income budget is forecast to be unachievable due to changes in behaviour or demand.

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

### Inflation

**6.10** The main budget pressure facing the Council over the MTFS period is inflation. The MTFS includes provision for inflation major contracts (Publica and Ubico). Provision has also been made for the annual pay award either directly (for Council officers and Members) or indirectly through the Publica and Ubico contracts. Energy prices reduced from their peak in 2022 but with global economic and political volatility may come under pressure in 2026/27.



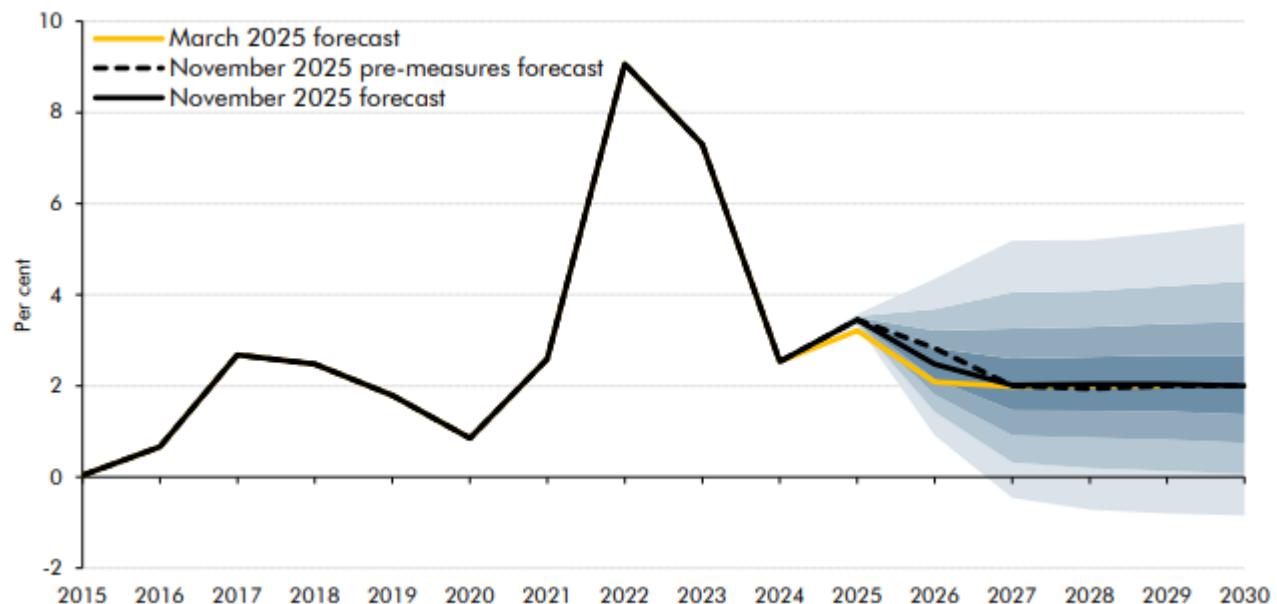
**6.11** The inflation rate has fluctuated through 2025 and increased to 3.6% in December 2025. The Office for Budget Responsibility outlined their expectations for inflation in their November 2025 report:

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



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

Chart 2.12: CPI inflation



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

Source: ONS, OBR

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

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



**Table X – Inflationary Provision**

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

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

**Table 6a – Ubico Contract Costs**

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



**Table 6b – Multi-Service Gross and Net Cost**

	2026/27 Budget				
	Ubico Contract (£'000)	Other Service Costs (£'000)	Gross Service Cost (£'000)	Service Income (£'000)	Net Service Cost (£'000)
<b>Waste, Recycling, Street Cleaning and Grounds Maintenance Services</b>					
Bulky Household Waste	0	73	73	(79)	(6)
GM - Car Parks	66	0	66	0	66
GM - Cemetery, Crematorium and Churchyards	182	0	182	0	182
Garden Waste Collection	1,323	145	1,468	(1,593)	(125)
Household Waste	1,865	149	2,013	(3)	2,010
Recycling	3,488	238	3,726	(932)	2,794
Refuse / Recycling Organic & Food Waste	755	0	755	0	755
Street Cleaning	1,476	45	1,521	0	1,521
GM - Trinity Road, Offices	17	0	17	0	17
<b>Grand Total</b>	<b>9,173</b>	<b>648</b>	<b>9,822</b>	<b>(2,606)</b>	<b>7,215</b>

**6.15** Energy prices decreased significantly from their peak in 2022. The Council is part of a wider procurement position with Cheltenham, Forest of Dean and West Oxfordshire Councils with an energy broker providing an assessment of price risks and mitigation measures. Based on the latest forecast and a price-risk mitigation strategy, there is no requirement to increase the budget for 2026/27. However, there remains uncertainty across the energy market due to the wider global political environment. Updated forecasts will be included in the regular quarterly financial and performance monitoring reports to Cabinet.

#### **Risk Items**

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

**6.17** £0.237m has been maintained as a contingency budget to mitigate the risk inflationary pressure on the key Publica and Ubico contracts and to provide some budgetary headroom around fees and charges income.



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

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

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

**6.21** These budgets will be held centrally and would be allocated in support of evidenced budget pressures during the year identified through the quarterly financial monitoring process. Should these budgets not be required, in part or in full, they would be returned to the Financial Resilience Reserve (in-year) and reviewed as part of the 2027/28 budget setting process.

### **Savings & Transformation**

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



**Table 7 – Savings**

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

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

#### **Fees and Charges**

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

**6.25** The outcome from the review and the proposed fees for 2026/27 was approved by Cabinet at their meeting in January 2026. The table below sets out the updated position on fees and charges income estimates for 2026/27 and includes an assumed annual uplift over the MTFS period. The decision on fees and charges will be considered by Cabinet as part of each year's budget setting round. A detailed



schedule of the Fees and Charges was included as an Annex to the 2026/27 Fees and Charges Report.

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

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

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

#### **Non-Service Expenditure and Income**

**6.29** Corporate Income and Expenditure budget items cover the non-service revenue expenditure and income that is included in the Council's General Fund. Non-Service budgets for 2026/27 of £1.266m are proposed and will reduce for 2027/28 and then stabilise over the MTFS period. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned transfers to earmarked are set out below in more detail.

#### **Treasury Management, Capital Financing and PWLB Lending Terms**

**6.30** The MTFS includes an estimate of the cost of borrowing required to support the capital programme. A Draft of the Treasury Management Strategy for 2026/27 (Annex F) was considered by Audit and Governance Committee at its meeting on 27 January 2026. The report sets out the forecast for the Council's Treasury Management activities (investments and borrowing). Advice is provided from the Council's Treasury Management advisors Arlingclose, in terms of investment performance, timing of decisions, capital financing, and the wider economic outlook.



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

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

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

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

**6.34 Prudential Code on Capital Finance:**

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



**6.35 Treasury Management Code:**

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies.
- Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy

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

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

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

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



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

**6.41** Estimates of interest receivable on other investments remain positive but with some uncertainty around the wider global economy on the Council's longer-term investment returns. The Council continues to hold up to £12.5m in Pooled Funds and other longer-term investments, which have generated strong income returns. Investment income of £1.177m has been forecast for 2026/27 recognising the resilient performance over the last 12 months whilst recognising the forecast fall in interest rates. The MTFS forecast assumes a reduced level of return over the MTFS period. This will be kept under review in terms of the overall cash position of the authority and the impact of forecast interest rate changes.

#### **IFRS9 Statutory Override**

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

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



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

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

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

## **7. BALANCED BUDGET REQUIREMENT**

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



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

**7.3** The level of savings set out in the MTFS does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term.

**7.4** The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium, and long-term finances of a local authority
- manage financial resilience to meet unforeseen demands on services.
- manage unexpected shocks in their financial circumstances.

**7.5** A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings so that they are identified, agreed, planned, implemented, and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.

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

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



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

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

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

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

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



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

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

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

*Either:*

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

*Or:*

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



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



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



No answer 4.7% (8 choices)



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

### **Balances and Reserves**

**7.13** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council. The review has taken into account guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).

**7.14** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

**7.15** There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- Balanced Budget requirement: England, Sections 31A, 42A of the Local Government Finance Act 1992, as amended.
- Chief Finance Officer (CFO) duty to report on robustness of estimates and adequacy of reserves (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.
- Requirements of the Prudential Code.



**7.16** These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted, and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

**7.17** As set out earlier in the report, there is a much-heightened focus on financial sustainability throughout the sector, largely due to the number of Section 114 notices that have been issued since 2018 and local authorities seeking exceptional financial support.

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

**7.19** The General Fund Balance has been assessed taking account of the strategic, operational, and financial risks facing the authority and the underlying budgetary assumptions. This includes:

- The treatment of inflation and interest rates
- Level and timing of estimated capital receipts
- Treatment of demand-led pressures
- Treatment of planned efficiency savings
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, or major capital developments
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject to

**7.20** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates,



Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is adequate.

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

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

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

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

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



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

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

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

- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.

**7.26** If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below.



**Table 9a – Reserves and Balances Forecast**

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

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

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

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



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

**Table 10 – Summary Medium Term Financial Forecast**

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



## **8. FUNDING**

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

### **Overview**

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

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

### **Business Rates**

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

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

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

**8.7** The Council was required to finalise its Business Rates estimates for 2026/27 and its initial estimate of any surplus or deficit for 2025/26 by 31 January 2026. The estimate of retained business rates income included in this report do not take into account the final forecasts for business rates that were submitted in the NNDR1 return.



- 8.8** Forecasting business rates income is complex with the impact a new 3-year revaluation period, additional business rates multipliers, and changes to the transitional relief arrangements contributing to the level of uncertainty around forecasts for the medium-term.
- 8.9** The estimate of business rates income has been prepared based on the rateable value of properties on the rating list using the new valuations and multipliers. Forecasts have been made concerning the level of mandatory and discretionary reliefs that will be given, and an allowance made for bad debts and repayments.
- 8.10** Business rates are collected by the Council, and the proceeds are shared between Cotswold District Council, Gloucestershire County Council, and the Government. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation, and reliefs.
- 8.11** The draft forecast for business rates included in this report is at the Baseline Funding Level with an additional amount retained from Renewable Energy schemes. The assumption made in the MTFS is the Council's share of retained business rates is estimated at £1.255m in 2026/27. The final estimate will not be available until 31 January 2026, and it is recommended that a delegation is provided to the Council's Deputy Chief Executive, in consultation with the Cabinet Member for Finance for any changes to the General Fund Summary arising from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council.
- 8.12** Each year the Council forecasts whether its collection of Business Rates will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund.



**8.13** Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year. It is important that the Council is aware of the risk on the Collection Fund – there can be significant change in business rates income from one year to the next.

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

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

**Table 11 – Business Rates Forecast (To Follow for Council)**

**Gloucestershire Business Rates Pool**

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

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

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



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

#### **Extended Producer Responsibility [EPR]**

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

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

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

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

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

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

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



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

**Table 12 – Funding assumed in MTFS forecast**

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

### **Council Tax**

**8.25** The referendum threshold for 2026/27 for Shire Districts including Cotswold District Council is 2.99% or £5 (whichever is the greater). The Core Spending Power calculation published with the Local Government Finance Settlement assumed that all authorities would raise their Council Tax towards the maximum allowable amounts. Factoring such increases into the funding assessment, removes flexibility for local authorities to take local decisions about tax levels and to use increases in local taxation to offset local spending pressures. Councils now need to make these increases just to keep total funding levels at a standstill.

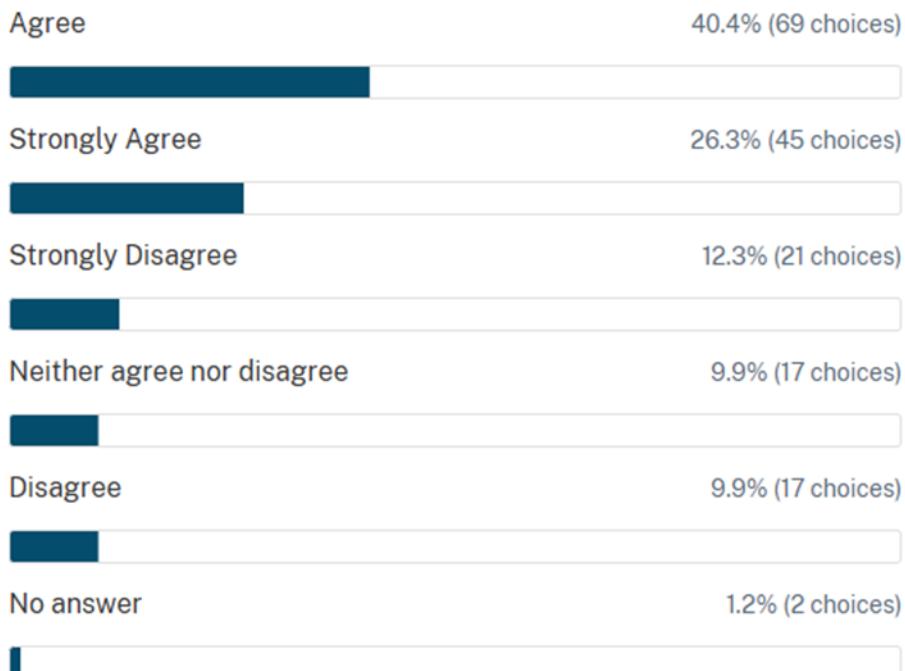
**8.26** The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.

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



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

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



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



**Table 13 – Council Tax Income**

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

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

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

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

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

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



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

#### **Local Council Tax Support Scheme**

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

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

#### **Council Taxbase**

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

**8.38** Due to the position with the Local Plan and slower than expected housing delivery from key strategic sites during 2025/26, no additional growth has been included in the taxbase estimate for 2026/27. For the purposes of the MTFS it has been assumed the Taxbase will grow at 1.00% per annum.

#### **Collection Fund (Council Tax and NNDR)**

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

**8.40** Collection rates for Council Tax have remained resilient in 2025/26. At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available



collection data suggests that the Council is marginally below the collection rate for the same period in 2025/26 and the total collected is forecast to be above the level precepted against the Collection Fund.

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

## **9. CAPITAL PROGRAMME 2026/27 TO 2029/30**

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

**9.2** The Council has set out its Capital Programme for the period 2026/27 to 2029/30 based on the principles of the current Capital Strategy. This is summarised in the table below and in further detail in Annex D of this report. A total capital expenditure budget of £9.538m in 2026/27 is proposed. Total expenditure over the programme period is estimated at £18.5m (£21.6m when including the current financial year)

**9.3** The capital programme is focussed on delivering against the Council's key priorities, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants. Overall, the programme is shaped to ensure the Council maintains essential services, supports community needs and invests responsibly for the long term.



**Table 14 – Summary Capital Programme**

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

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

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

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



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

- 9.7** Until the current financial year, the capital programme has been predominantly financed through capital receipts. Although these are forecast to deplete over the capital programme period the Council is no longer proposing to use additional prudential borrowing to fund the programme. Instead, schemes will be supported through revenue contributions (RCCO) and existing earmarked reserves, thereby avoiding associated interest and MRP costs. Other sources of finance supporting the capital programme, either from external sources (government grants and other contributions), the Council's own resources (capital receipts).
- 9.8** At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.
- 9.9** The removal of previously proposed prudential borrowing reflects both the level of financing available within the revenue base and current forecasts for capital receipts and grant funding. If additional resources become available during the capital programme period, projects aligned with the Council's strategic capital objectives will be brought forward for approval. Given current borrowing costs, any new business case will need to demonstrably robust, include sufficient financial headroom, and be subject to additional challenge from officers prior to consideration by members.



**Table 15 – Summary Capital Financing Statement**

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

## **10. KEY ASSUMPTIONS, RISKS, AND UNCERTAINTIES**

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

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

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

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

**10.3** The second key risk is around the continued impact on the Council from pressures within the wider economy including growth expectations, inflation and interest rates. This will have an impact on income and expenditure budgets during 2026/27 and will require timely and accurate financial reporting to Cabinet. These risks include:

- Income from Council Tax and Business Rates will continue to be under pressure in 2026/27.



- Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council.
- Cost of services where the Council is exposed to risk sharing in contract costs.
- Energy cost pressures

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

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

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

- Delays or changes to Local Government Reorganisation affecting cost exposure.
- Treasury management issues including interest rates, level of capital expenditure, use of internal resources, borrowing costs.
- External economic environment – UK and global economy.
- Financial impact of the Capital Programme on the revenue budget – the affordability of the capital programme and future schemes needs to be carefully considered.
- Unbudgeted costs (for example from service demand or legal challenge to planning decisions.)

## **11. CONCLUSIONS**

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



Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.

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

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

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

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

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

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



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

## **12. FINANCIAL IMPLICATIONS**

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

## **13. LEGAL IMPLICATIONS**

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

## **14. RISK ASSESSMENT**

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

## **15. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**15.1** None

## **16. BACKGROUND PAPERS**

**16.1** None

(END)