COTSWOLD
District Council

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**CABINET – 03 APRIL 2025**
Subject	**FINANCIAL PERFORMANCE REPORT – Q3 2024/25**
Wards affected	All
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance and Transformation Email: mike.evemy@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	This report sets outs the third budget monitoring position for the 2024/25 financial year.
Annexes	Annex A – Capital Programme Outturn Forecast Annex B – Non-Treasury Management Prudential Indicators
Recommendation(s)	That Cabinet resolves to: 1. Review and notes the financial position set out in this report. 2. Approve the principle to transfer of the improved surplus (£0.435m) to the Financial Resilience Reserves, as set out in Paragraph 4.7 of the report. 3. Approve the revised Capital Programme of £7.550m including additional expenditure of £0.238m on Disabled Facilities following the allocation of additional Disabled Facilities Grant funding provided by Gloucestershire County Council. (Paragraph 2.10)
Corporate priorities	• Delivering Good Services
Key Decision	YES

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Exempt	NO
Consultees/ Consultation	None

1. BACKGROUND

1.1 This report provides members with the third outturn forecast and monitoring position statement for the 2024/25 financial year.

1.2 The purpose of this report is to notify members of any significant variations to budgets identified in the second quarterly budget monitor exercise, highlight any key financial issues, and to inform members of options and further action to be taken.

1.3 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. Whilst inflation has fallen back over the course of the calendar year, there remains uncertainty around interest rates and inflationary pressures in the current financial year which exert an influence over the Council's budget both directly and indirectly.

2. EXECUTIVE SUMMARY

2.1 This report sets out the outturn forecast for the financial year informed by Q3 budget monitoring.

2.2 Based on the budget monitoring exercise undertaken for Q3 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is an adverse variation of £0.081m. This is a marked improvement on the Q2 forecast (adverse variation of £0.297m) which will provide the opportunity additional financial sustainability over the MTFS-period.

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Table ES1 – Revenue Budget Outturn Forecast (Q3)

Revenue Budget	2024/25 Latest Net Budget (£'000)	2024/25 Actuals to Q3 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Subtotal Services	**18,140**	**12,049**	**18,591**	**451**
Less: Reversal of accounting adjustments	(1,778)		(1,778)	0
Revised Subtotal Services	**16,362**	**12,049**	**16,813**	**451**
Corporate Income & Expenditure	(1,301)	(1,442)	(1,671)	(370)
Provisions and Risk Items	0	0	0	0
Net Budget Requirement	**15,061**	**10,607**	**15,142**	**81**
Funded by:				
Council Tax	(6,597)		(6,597)	0
Retained Business Rates	(5,014)		(5,014)	0
Government Funding - Grants	(3,206)		(3,206)	0
Government Funding - NHB	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)		(473)	0
TOTAL Funding	**(15,577)**	**0**	**(15,577)**	**0**
Budget shortfall/(surplus)	**(516)**		**(435)**	**81**

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Table ES2 – Revenue Budget – Reconciliation of variations (Q3)

Variations at a glance	Positive variation (£'000)	Adverse Variation (£'000)	Q2 Outturn Variance (£'000)	Movement from Q2 (£'000)
Service Variations				
Fees & Charges	(85)	120	73	(38)
Car Parks (Fines and Permits)		87	95	(8)
Car Park (EVCP income)	(14)		0	(14)
Car Park Expenditure	(71)	36	0	(35)
Commercial Property - Rental income shortfall		176	100	76
Elections		88	72	16
Development Management				0
Development Management Fees	(47)		(120)	73
Development Managment Appeals	(20)		(14)	-6
Forward Planning Consultancy		25		25
Trinity Road, service charges and utilities	(87)	22	(37)	(28)
Ubico Forecast		71	56	15
Mobilisation costrs - rezoning of Waste and Recycling		50	50	(0)
Recycling Income - Scrap		18		18
Recycling - Minor Contracts	(38)			(38)
Garden Waste - Printing		16		16
South Cerney Depot - Repairs		12		12
Cotswold Crowdfund	(30)			(30)
Public Conveniences (Cleaning Contract)		18		18
Housing Strategy Role (not shared)		41		41
Communications - Cotswold News	(15)			(15)
Legal	(24)			(24)
ICT	(60)			(60)
Corporate Finance Susbcriptions		18	0	18
External Audit (Accounts and Housing Benefit)		38	0	38
Discretionary Pension Payments		8	0	8
Other service variations		54	40	14
Subtotal	**(491)**	**897**	**315**	**91**
		406		

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Variations at a glance	Positive variation (£'000)	Adverse Variation (£'000)	Q2 Outturn Variance (£'000)	Movement from Q2 (£'000)
Non-Service/Corporate Variations				
Publica underspend (net of savings target)	(182)	0	(82)	(100)
Contingency	(200)	0	(200)	0
Pay Award below budget	0	0	(400)	400
Street Service savings (included in Service)	0	150	75	75
Treasury Management income	(402)		(367)	(35)
Publica Review - Phase 1 - provision	0	182	182	0
Less: Vacancy Management Saving	(50)	0	(50)	0
Less: Other Vacancy Savings (net of Agency)	(160)	0	0	(160)
Add: Planning Agency Costs (net of vacancy)	0	102	128	(26)
Add: Recruitment Costs	0	78	100	(22)
Add: Communications Services	0	12	31	(19)
Add: Rebranding	0	20	40	(20)
Transfer to Reserves (TM, FRR)	0	125	525	(400)
Subtotal	**(1,485)**	**1,566**		
Net Outturn Variation		**81**	**297**	**(216)**

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

2.4 Given the timing of the report, there is little additional mitigation measures available to improve financial performance. Income and expenditure budgets will continue to be monitored closely in the last month of the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance. During 2025/26 the Business and Intelligence unit will support the quarterly finance reporting process and will work with service leads to identify potential mitigations and resolutions to improve performance.

2.5 As set out in the CIPFA Financial Management Code, performance reporting is important for the Council to remain financially sustainable. Members must receive timely information on its financial and operational performance so that corporate priorities are delivered within budget. Early information about emerging risks to financial sustainability are key to ensuring the Council can take effective decisions and carefully consider an effective response.

2.6 Heads of Service should take steps to identify management action(s) that will address underperformance and discuss these with the finance team and the relevant Director. Financial Performance Reports for 2025/26 will include options and recommendations for corrective action where underperformance against the budget has been identified, and options for improving financial performance even if the service is achieving income and expenditure targets.

2.7 A key aspect of this will be to explain financial performance in the context of service performance and outcomes. There is a risk with the current performance framework that aspects of service performance may be reported as on or above target, with little or no reference to financial performance. During 2025/2026 the Finance team will work with the Business and Intelligence unit to consider how best to review and report finance and service performance.

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

- **Forecast income variations** – underachievement: Public Conveniences (£30k) Land Charges (£25k), Cemeteries (£30k), Building Control (£35k). Additional Income: Bulky Waste (£25k), Green Waste (£45k), Licensing (£15k)
- **Car Parks** income – underachievement of fines and permit income (£87k)
- **Commercial Property** rental income and vacant property costs (£149k adverse variation)

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- **Elections** – Overspend of £88k forecast due to expenditure with Civica on the trial of tablets that cannot be claimed through the parliamentary expenses scheme and higher than budgeted postage and canvassers fees. Increased overspend since Q2 due to Chesterton by-election.
- **Trinity Road Offices** – higher than budgeted income from service charges to tenants and lower than forecast business rates and energy costs (£65k)
- £71k of overspend in respect of premises and insurance costs as part of the **Ubico Waste and Recycling contract**.
- £50k additional expenditure for communications and customer service support associated with the rollout of the **Waste and Recycling rezoning** in July 2024.
- **Miscellaneous Waste and Recycling** related variances – under achievement of income sale of scrap materials (£18k), expenditure associated with landlord obligations for South Cerney depot (£12k), reduced cost of recycling material contract (£38k).
- Net underspend on the **Publica contract sum** (net of savings target) of £182k.
- **Contingency** Budget is forecast to remain unutilised (£200k underspend) which mitigates costs associated with the Waste and Recycling rezoning and overspend on Ubico contract.
- Cost reduction associated with the **Street Services** are shown in Table 5 of the report (net underspend of £0.073m) and to avoid double counting the savings target is shown as an adverse variation of £0.150m.
- **Treasury Management** and interest receivable performance (£0.402m positive variation) with £0.125m to be transferred to the Treasury Management Reserve.
- **Publica Review** impact (part-year) of £0.182m included as a provision.
- Less: **Vacancy Management** underspend (Director of Communities and Place) £50k
- Additional costs of **Communications** service (net of vacancy managements underspend of £41k) – £12k net adverse variation
- Additional **recruitment costs** of £78k for Phase 1 posts (Director of Communities and Place and senior Development Management roles.)
- Expenditure associated with the rollout of the **refreshed corporate branding** estimated to be £20k.

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2.9 The outturn forecast is a net overspend/adverse variance of £0.081m. This is an improved position compared to Q2. Although the outturn variation reduces the level of budgeted surplus in-year (i.e. it would reduce the planned transfer to the Financial Resilience reserve at year end from £0.516m to £0.435m), this is considered positive in the context of the financial challenge facing the Council over the MTFS-period. The Q2 outturn forecast indicated the impact of the 2024/25 Pay Award being settled at a level lower than budgeted for was in the region of £0.400m. For the Q3 report, this is reflected in the net forecast outturn position across all services and is therefore not identified separately.

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

Table ES3 – Capital Programme Outturn Forecast

Capital Programme	2024/25 OB (£'000)	2024/25 LAB (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Leisure & Communities	1,310	1,491	1,503	12
Housing/Planning and Strategic Housing	2,289	2,643	2,577	(66)
Environment	1,857	1,606	1,521	(85)
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	150	150	0
UK Rural Prosperity Fund	573	752	752	0
UK Shared Prosperity Fund Projects	134	134	134	0
Land, Legal and Property	300	517	596	79
Transformation and Investment	0	257	212	(45)
TOTAL Capital Programme	**6,813**	**7,550**	**7,445**	**(105)**

2.11 The table above includes a revised budget in respect of Disabled Facility Adaptions (DFG) (£0.238m) to fund increased demand from DFG applications. This will be funded from additional grant provided via the County Council pooling arrangement. The inclusion of this budget is subject to approval by Cabinet as set out in recommendation 2.

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2.12 The capital programme is a forecast underspend of £0.105m. Further details are provided in Section 6 of this report.

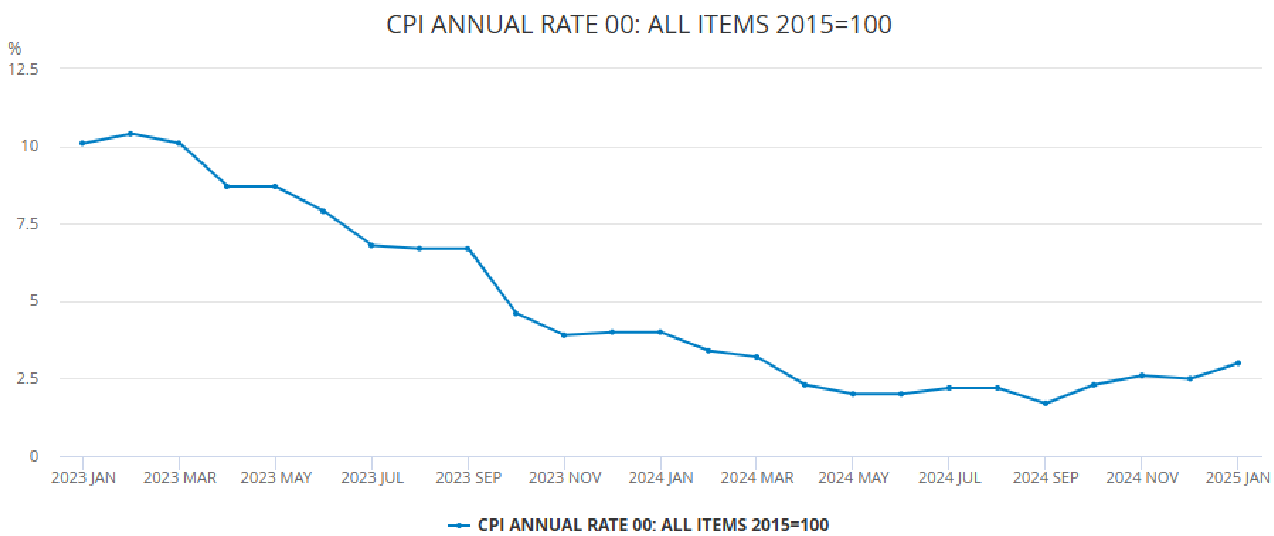
2.13 The outturn position will be finalised for the July 2025 Cabinet meeting.

3. EXTERNAL ECONOMIC ENVIRONMENT

Inflationary Pressures

3.1 The level of inflation, as measured by the Consumer Prices Index, for January 2025 is 3.0% (up from 2.5% in December 2024). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 3.6% (3.5% in September 2024). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) rose to 3.7% (3.2% in December 2024).

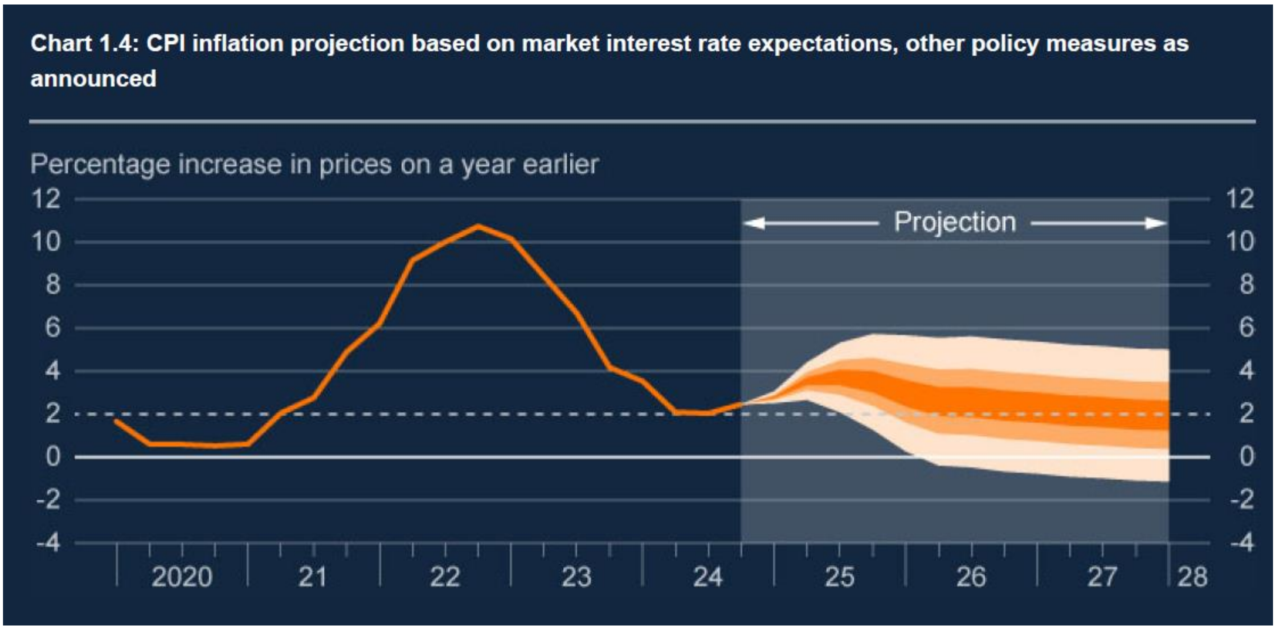
Graph A – CPI Inflation



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

3.3 In the February 2025 Monetary Policy Report, the Bank of England indicated the rate is likely to remain above the 2% target during 2025 (peaking at 3.7%) as the impact from energy prices and second round inflation comes through (Second-round effects occur when agents pass on the inflationary impact of the direct and indirect effects to wage and price setting). The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (February 2025).

Graph B – Bank of England Fan Chart - Inflation

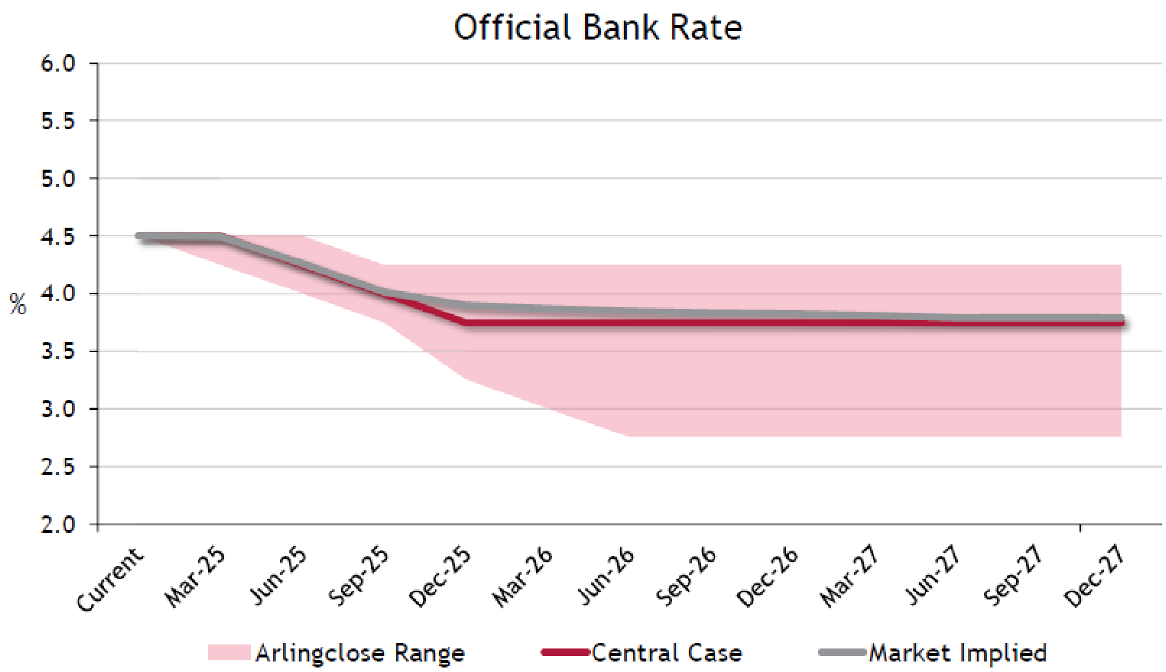


Interest Rates

3.4 The Bank of England reduced the Base rate in February 2025 by a further 0.25% in response to the easing of inflationary pressures taking the base rate to 4.50% with the March meeting voting to maintain the rate. The council's treasury management advisors have forecast that the rate will continue to reduce, but more slowly and by less. The next MPC meeting is scheduled for 08 May 2025.

3.5 The expectation is for further rate reductions during 2025 (aligned to the publication of the Monetary Policy Report each quarter) to a low of 3.75%.

Graph C – Interest Rate Forecast



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

4. 2024/25 REVENUE BUDGET FORECAST

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

Table 1 – Revenue Budget reconciliation

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

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

4.3 With Phase 1 services and direct budgetary responsibility transferring from Publica to the Council in November 2024, members should expect to see material adjustments to service budgets in the financial performance reports during 2024/25 and 2025/26. Phase 2 service changes are expected to be completed by July 2025.

4.4 As of 31 December 2024 (Q3) the Council's net expenditure (excluding Funding and Parish Precepts) was £10.607m against the profiled budget of £11.080m.

4.5 The outturn forecast for 2024/25 of £15.577m results in a forecast variance of £0.081m. Table 2 provides members with an overview of the material outturn variations that have been forecast across services with Tables 3 providing detail on the non-service revenue expenditure and income budgets.

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Table 2 – Revenue Budget Outturn Forecast Summary

Revenue Budget	2024/25 Latest Net Budget (£'000)	2024/25 Actuals to Q3 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Subtotal Services	**18,140**	**12,049**	**18,591**	**451**
Less: Reversal of accounting adjustments	(1,778)		(1,778)	0
Revised Subtotal Services	**16,362**	**12,049**	**16,813**	**451**
Corporate Income & Expenditure	(1,301)	(1,442)	(1,671)	(370)
Provisions and Risk Items	0	0	0	0
Net Budget Requirement	**15,061**	**10,607**	**15,142**	**81**
Funded by:				
Council Tax	(6,597)		(6,597)	0
Retained Business Rates	(5,014)		(5,014)	0
Government Funding - Grants	(3,206)		(3,206)	0
Government Funding - NHB	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)		(473)	0
TOTAL Funding	**(15,577)**	**0**	**(15,577)**	**0**
Budget shortfall/(surplus)	**(516)**		**(435)**	**81**

Table 3 – Corporate Income and Expenditure

Corporate Income and Expenditure	2024/25 Revised Budget (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Contingency, other non-service income and expenditure	**420**	**364**	**(56)**
Savings & Transformation Items	(709)	(746)	(37)
Treasury Management - Interest Payable	9	9	0
Treasury Management - Interest Receivable	(1,333)	(1,735)	(402)
Minimum Revenue Provision (MRP)	12	12	0
Transfer to/(from) Earmarked Reserves	301	426	125
	(1,301)	**(1,671)**	**(370)**

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Key Variations

4.6 As outlined in paragraph 4.6, the forecast outturn position is a net overspend/adverse variance of £0.081m which reduces the level of budgeted surplus in-year.

4.7 Whilst the forecast surplus on the revenue budget has reduced to £0.435m this will be transferred to the Financial Resilience reserve in accordance with the 20224/25 budget, subject to review and confirmation of the final outturn position. The Q2 outturn forecast indicated the impact of the 2024/25 Pay Award being settled at a level lower than budgeted for was in the region of £0.400m. For the Q3 report, this is reflected in the net forecast outturn position across all services and is therefore not identified separately.

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

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

4.9 Whilst the outturn forecast allows for the planned transfer to the FRR reserves, members should take into consideration the financial performance of certain service areas (i.e. services which are more reliant on income from fees and charges as outlined in Section 2 and Section 9 of the report). The net outturn forecast for these services is a cause for concern and represents a weaker financial position than would otherwise have occurred. This is not a desirable outcome and management action must be taken by the Council, Publica and Ubico to mitigate the forecast outturn position.

4.10 The material items which have had an impact on the Council's revenue budget are summarised below with narrative explaining the reasons(s) for the variation in the paragraphs that follow.

4.11 Following changes to **Waste and Recycling** rounds in July 2024, Ubico have confirmed through financial reporting that the part-year efficiency saving of £0.375m has been achieved.

4.12 The Q2 forecast indicated a risk that the cost reduction of £0.150m included in the 2024/25 revenue budget for the **Street Cleaning** service may not be achieved in full this financial year. Initial scoping work has identified cost reductions and service efficiencies which is shown as a net underspend in Table 5 of the report. A wider review of service options is being undertaken to ensure service standards are clearly defined with corresponding cost reductions. It is clear that the full budgeted saving will not be achieved in the current financial year (£0.077m). Further analysis will be undertaken on the scope and delivery of cost reductions for consideration by Cabinet in early 2025/26.

4.13 Where income shortfalls have been forecast, it is expected that Business Managers and Assistant Directors evaluate options for corrective action. It is now highly unlikely income will recover in the current financial year and may have a detrimental impact on the Council's finances over the medium-term. The evaluation must include an assessment of the service cost and income, market positioning, and unit cost and benchmarking data analysis. Options should outline, if possible, how the service can be financially sustainable.

4.14 Income from **Land Charges** is below budget with net income received forecast to be £25k below budget at the end of the financial year due (based on the current profiled position). The income budget was reduced for the year by £19k (from £0.208m to £0.189m) recognising the downward trend on income in 2023/24 in part to the rise in free unofficial Personal Searches (through Personal Search Agents).

Building Control – Market share is averaging 65% in Q3 with 120 applications processed. There has been a 13 per cent increase in market share since Q1 and a 10 per cent increase compared to the same period last year. Forecast expenditure is on budget but an income shortfall of £35k is currently forecast. The team have invested in software and handheld devices for site use which is expected to make officers time on site and the service more efficient. Considering the budget shortfall, the building regulation fees have been increased for the 2025-26 financial year to better reflect the costs of running the service. The service has also identified an opportunity to increase market share.

4.15 **Public Conveniences** – income shortfall due to reduced footfall, forecast net income shortfall of £30k. The service is also reporting an overspend (£18k) in its cleaning costs following a contract renewal because of inflationary pressures. The service was subject to a review by Overview and Scrutiny Committee (Public Conveniences Review Group) and the review and recommendations were reported to Cabinet in January 2024. This report made a series of recommendations and recognised the financial pressures of the service needed to be reduced but that a fully cost recoverable service was not achievable. A reduction in facilities where there were multiple facilities in towns or villages was agreed and toilets have now been closed in both Cirencester and Stow-on-the-Wold as a means of mitigating cost pressures.

4.16 Further options will need to be considered during 2025/26 to ensure the net subsidy required to operate the Public Conveniences can be minimised or reduced entirely.

4.17 **Cemetery fees** – forecast shortfall in income of £30k due to lower service provision.

4.18 **Green Waste** and **Bulky Waste** fees are forecast to achieve £70k more income than budgeted by the end of the financial year.

4.19 The Council will not receive the budgeted level of commercial rental income from **Investment Properties** given the challenging economic conditions across retail and office sectors and downward pressure on rents. A combined income shortfall and empty property costs of £149k is forecast.

4.20 An overspend of £88k is forecast on **Elections**. This is due to expenditure with CIVICA on the trial of Tablets at the Police and Crime Commissioner election in May 2024 and the General Election in July 2024. These costs cannot be claimed through the national election expenses scheme. Trials have been undertaken to assess whether the use of Tablets and software would streamline the election process by reducing the opportunity for polling station errors and streamlining the count process with ballot paper accounts reconciled through the Tablet and software. Other overspent election costs including postage and canvassers fees were reviewed and increased for the 2025/26 budget. Whilst the use of tablets can be seen as contributing to delivering a safe and efficient election process, it is too soon to quantify the value of any cost reduction of efficiency in the wider count process.

4.21 Income from the Council's **Car Parks** remained positive in Q3 and the first half of Q4. Income from Car park permits, and Penalty Charge Notices (PCNs) is below target for the first half of the financial year and is forecast to be underachieved by £87k in 2024/25. Income budgets for 2025/26 were reduced to reflect current financial performance and ensure the budget estimates approved by Council in February 2025 were robust. However, the service will need to develop an action plan setting out options to address the financial performance including a review the car park strategy and approach to enforcement .

4.22 **Recruitment Costs** - £78k of additional spend not covered through vacancy management. These costs will cover the cost of recruitment for the Director of Communities and Place, three senior planning roles and four other planning roles. The recruitment and appointment of the above roles will reduce reliance on expensive interim(agency) staff.

4.23 **Rebranding** – costs of £20k associated with the corporate refresh of branding which is funded from cost savings/additional service charge income at Trinity Road.

4.24 **Communications** service is forecast to overspend by £12k. Following the transfer of services in Phase 1, the Communications service has been reviewed with additional interim support provided by an external communications agency (Conteur). Whilst there is a projected underspend on staff costs (£41k) the total cost of external support is forecast to be £53k.

4.25 **ICT –** Forecast to be £60k underspent during 2024/25 predominantly because of lower than budgeted IT licence and equipment costs following careful management and negotiation of licence renewals.

4.26 **Ubico Contract** – the Council's Environmental (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc) are provided by Ubico Ltd. The contract with Ubico for 2024/25 of £8.738m is forecast to cost £8.434m – a net underspend of £0.304m This is predominantly due to the savings achieved of £0.375m from the rezoning but is offset by additional costs of £71k due to higher than estimated vehicle hire, premises insurance and property lease costs.

4.27 The Council also incurred additional expenditure of £50k for communications and customer service support in relation to the **mobilisation of the Waste and Recycling rezoning** which will be funded from the £92k contingency balance held in relation to Ubico cost.

4.28 The table below provides members with an overview of the financial performance of the Ubico Contract (table 5). The net variation on the contract excluding the rezoning saving is an overspend of £71k.

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Table 5 – Ubico Contract Monitoring

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Ubico Contract Costs OB (£'000)	Ubico Contract Costs CS (£'000)	Outturn Forecast (£'000)	Outturn Variance (£'000)
WST004 Bulky Household Waste		0	0	0
Car Parks GM [CTW668]	77	77	71	(7)
CCM001 Cemetery/Churchyards GM [CTW688]	188	188	172	(16)
RYC002 Garden Waste Collection [CTW634]	1,423	1,423	1,319	(104)
WST001 Household Waste [CTW611]	1,722	1,722	1,756	34
RYC001 Recycling [CTW633]	3,089	3,089	2,929	(160)
RYC003 Refuse/Recycling/Food Waste [CTW635	661	661	684	23
STC001 Street Cleaning [CTW666]	1,558	1,558	1,485	(73)
Trinity Road Offices GM [CTW668]	20	20	18	(2)
Grand Total	**8,738**	**8,738**	**8,434**	**(304)**
Less: Rezoning savings				375
Net variation on contract (excluding Rezoning)				**71**

Treasury Management

4.29 Dividends from the Council's longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.313m were received in the nine months to the 31 December 2024 year achieving a return of 4.75%. Interest from short term cash deposits including the Debt Management Office (DMO) was £0.508m due to interest rates remaining at a higher level than assumed in the budget and MTFS.

4.30 It should be noted that the budgeted level of net investment income for 2024/25 is £1.210m – an increase of £0.504m over the 2023/24 budgeted level and recognises the current interest rate position and improved returns. This is a prudent estimate for the year but is lower than the final 2023/24 level of investment income achieved of £1.674m given the forecast interest rate reductions over the financial year.

4.31 It is not expected that the current interest rate level will be maintained over the MTFS period, as set out in Section 3 of this report, with expectations of investment income in 2025/26 reducing to around £1.1m with a further reduction to £0.5m by 2027/28.

4.32 A prudent forecast of investment income has been included in the outturn forecast of £1.652m (net income received). This considers the expectation that the base rate will remain at 4.5% until the end of the financial year.

4.33 The level of investment income for the year will depend on the performance of both short-term investments (Money Market Funds, deposits with the DMO) and dividends from the long-term investment. The table below provides members with a high-level overview of the Council's Treasury Management investments on 31 December 2024.

Table 6 – Treasury Management Investments

Investment type	Balance invested at 31/12/24 (£'000)	Investment Income received to 31/12/24 (£'000)	2024/25 Forecast (£'000)
Bank of England DMDAF	14,225	429	707
Money Market Funds			
Federated Money Market Fund	3,000	110	140
DGLS Money Market Fund	3,000	101	131
Insight Liquidity Money Market Fund	995	72	81
Lloyds Instant Access	1,000	27	38
Royal Bank of Scotland Call Account	-	2	2
Other Short-term deposits	2,000	79	79
Real Estate Investment Trusts (REIT)			
Fundamentum Housing REIT	690	15	30
Cash Plus Fund			
Federated Cash Plus Fund	1,198	-	-
Pooled Funds			
CCLA Property Fund	2,177	57	112
Shroders Income Maximiser Fund	849	38	57
CCLA Cautious Multi Assets FUnd	957	18	32
M&G UK Income Fund	1,794	68	100
Ninety-One Investec Diversified Fund	1,805	60	87
Columbia Threadneedle Bond Fund	1,933	56	75
	35,623	**1,132**	**1,671**

4.34 With the forecast of Treasury Management investment returns significantly above the budgeted level, £0.125m will be transferred to the Treasury Management Risk earmarked reserve to manage higher borrowing costs in the short-term and to mitigate changes to the accounting treatment of gains and losses on pooled funds from April 2025.

4.35 Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 21 February 2024. Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

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

Corporate Income and Expenditure, Provisions, and Risk

4.37 As outlined in Tables 3 and 4 there are variations forecast across the Corporate Income and Expenditure budgets. These budgets support the General Fund Revenue budget and are typically the non-service items such as Treasury Management, financing, contingency budget, and provisions for risk.

4.38 A contingency budget is held centrally to mitigate any in-year cost pressures from inflation or other unforeseen events. This is forecast as uncommitted (£56k) to in-part offset the recruitment and Publica transition additional expenditure highlighted in the paragraphs below.

4.39 Savings and transformations are forecast to be overachieved by £37k because of a forecast underachievement of Street Cleaning savings (£150k) and underspend from Publica of £292k against target saving of £109k (-£182k).

4.40 As outlined earlier in this section, the performance of the Council's Treasury Management Investments is a result of higher than anticipated interest rates and surplus balances to invest. £0.125m will be transferred to the Treasury Management Risk earmarked reserve to manage higher borrowing costs in the short-term and to mitigate changes to the accounting treatment of gains and losses on pooled funds from April 2025.

4.41 As outlined in section 5 below, forecast additional expenditure of £0.182m (£436m for full year impact) for Phase 1 of the Publica transition in included as a risk provision in the Q3 outturn forecast. This provision should be considered against the following.

- Forecast underspend from the vacancy of the Director of Communities and Place (£50k).
- communications service costs including vacancy management underspend (£41k) and £53k overspend (£53k) for interim support (£12k net overspend)
- Planning Agency costs of £278k against vacancy savings of £176,000 (£102k net cost)
- Planned saving from other vacancies where roles transferred to the Council under Phase 1 of the Publica transition net of Agency expenditure (£159,765 forecast underspend).

4.42 The forecast actual net cost of Phase one of the Publica Transition in 2024/2025 is £86k, after adjusting for savings from vacant post expenditure, pay award, and agency costs.

4.43 Recruitment Costs - £78k of additional spend not covered through vacancy management. 3 x senior planning roles, Director, 4 x other planning roles and Head of Waste and Environment role. These can be partly offset against the forecast underspend of £50k as a result of the vacancy within the Director of Communities and Place role. The recruitment and appointment of the above roles will reduce reliance on expensive interim(agency) staff.

5. PUBLICA REVIEW

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

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

5.3 These cost estimates have been monitored and reviewed, with members receiving updates in the November 2024 and December 2024 financial reports.

5.4 The table below provides members with a reconciliation between the financial implications set out in the July 2024 DTP and the current estimate (February 2025) included in this report.

Table 7 – Reconciliation of Phase 1 Cost Estimate

Reconciliation of movement in additional cost	July 2024 DTP (£'000)	November 2024 update (£'000)	December 2024 update (£'000)	Change (£'000)
Phase 1 Basline Cost	3,674	3,616	3,701	27
Sharing + Pension Impact	326	318	321	(5)
New Roles	553	619	663	110
New Model Total	**4,553**	**4,553**	**4,686**	**132**
Publica Savings (Direct)	(240)	(240)	(221)	19
Indirect Savings	(283)	(282)	(282)	1
Enduring Impact	**4,030**	**4,031**	**4,182**	**152**
Indicative Annual Increase / (Decrease)	**356**	**415**	**481**	**125**

5.5 The main changes between July 2024 and the current estimate (February 2025) are:

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

5.6 It should be noted that the table above only covers Phase 1. Phase 2 financial reporting will be provided during 2025/26.

5.7 It is important to note that the gross increase in cost of Phase 1 (£0.984m in a full year) was net of cost reductions of £0.503m associated with changes made to the Publica management structure (giving the net cost estimate of £0.481m – up from £0.436m). Elements of the new posts could be considered as one-off changes to the Council's structure and matched by comparable reductions in the Publica contract sum. The associated cost reductions have been front-loaded, and it is not anticipated that similar cost reductions would be realised in Phase 2.

5.8 The current estimate for the Council's share of redundancy and pension strain costs is £0.200m (previously reported at £0.237m) and within the amount set aside within the Financial Resilience reserve.

5.9 Members have received updates in the quarterly financial performance reports on the costs associated with the Transition Programme. The table in the Q2 Financial Performance report provided an update on costs incurred up to Q3 2024/25 (i.e. 31 December 2024) and a forecast for the remainder of the Phase 1 period (i.e. to 31 March 2025). The latest forecast to the end of the year indicates that £0.182m of the £0.500m set aside to support the transition programme will have been utilised on Phase 1 preparation and delivery. This is a reduction in the forecast (previously reported at £0.275m) and reflects the reduced support required to complete the Phase 1 transfer and facilitate Phase 2 of the Publica Transition.

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

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

5.11 The reduced level of expenditure expected on the Transition Programme provides additional headroom in the earmarked reserve. The Section 151 Officer will review the wider position on one-off costs as part of the 2024/25 outturn and determine appropriate financing option(s).

6. CAPITAL PROGRAMME

6.1 Council approved the revised Capital Programme for 2024/25 at their meeting on 24 February 2025. The Capital Programme has been updated to reflect adjustments as set out in Table 8 below.

6.2 The revised capital programme for 2024/25 is £10.155m with a total net spend at £6.011m as at 31 December 2024.

Table 8 – Capital Programme budget reconciliation

Capital Programme Reconciliation	(£'000)
Orignal Budget (Council, 21 February 2024)	6,813
ORCS Grant Scheme (Council, 15 May 2024)	383
Slippage from 2023/24 (Cabinet 25 July 2024)	1,513
Disabled Facilities Grant (Cabinet 7 November 2024)	800
CLC Decarbonisation Work Swimming Pool Support Fund (Cabinet 7 Dec 2024)	208
Revised Capital Programme (Council, 24 February 2025)	(2,405)
Disabled Facilities Grant (Proposed Cabinet 3 April 2024)	238
Latest Budget	**7,550**

Table 9 – Capital Programme Outturn Forecast

Capital Programme	2024/25 OB (£'000)	2024/25 LAB (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Leisure & Communities	1,310	1,491	1,503	12
Housing/Planning and Strategic Housing	2,289	2,643	2,577	(66)
Environment	1,857	1,606	1,521	(85)
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	150	150	0
UK Rural Prosperity Fund	573	752	752	0
UK Shared Prosperity Fund Projects	134	134	134	0
Land, Legal and Property	300	517	596	79
Transformation and Investment	0	257	212	(45)
TOTAL Capital Programme	**6,813**	**7,550**	**7,445**	**(105)**

6.3 The outturn forecast for the current year is an underspend of £0.105m. **Annex A** sets out the detailed forecast outturn with commentary from budget holders and is summarised in table 9 above.

6.4 The Capital Programme was significantly revised in the budget papers considered by Council at their meeting on 24 February 2025. The significant variations forecast on the Capital Programme are:

- **Additional Electric Vehicle Charge points** are being installed through the Off-Street Residential Charge points Scheme (ORCS), forecast underspend of £0.055m due to installation at certain sites having specific constraints that cannot be addressed within the current deadline.
- **Trinity Road Agile Working** – forecast underspend of £0.045m due to timing of expenditure which will be carried forward to 2025/26.

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

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Capital Receipts and Disposals

6.6 There have been no disposals during the first three quarters of the financial year. A small number of receipts from the scrap sale of Ubico vehicles with a total value of £25,000 have been received throughout the financial year. Members should be aware that the Council has sought to dispose of two assets with potential capital receipts likely in Q1 of 2025/2026 (former Visitor Information Centre Bourton on the Water, Old Station, and Memorial Cottages Cirencester).

Table 10 – Capital Financing Forecast

Capital Financing Statement	**2024/25 OB (£'000)**	**2024/25 LAB (£'000)**	**2024/25 Outturn Forecast (£'000)**	**2024/25 Outturn Variance (£'000)**
Capital receipts	5,006	3,628	3,552	(76)
Capital Grants and Contributions	1,732	3,507	3,393	(114)
Earmarked Reserves	0	0	85	85
Revenue Contribution to Capital Outlay (RCCO)	0	0	0	0
Community Municipal Investments (CMI)	75	415	415	0
Prudential Borrowing	0		0	0
	6,813	**7,550**	**7,445**	**(105)**

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

7. NON-TREASURY MANAGEMENT SUMMARY

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

Prudential Indicators

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

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

8. RISKS AND UNCERTAINTIES

8.1 The Q2 report outlined several risks and uncertainties around the wider economic environment and the Publica Review. To a significant extent, these risks have materialised to a lesser or greater extent – interest rates and inflation rates have remained 'sticky' costs associated with the transfer of staff as part of Phase 1 of Publica review have come through. The risk around DFG funding remains as the level of additional funding for Cotswold is dependent on the outturn forecast across the Gloucestershire Better Care Fund.

9. CONCLUSIONS

9.1 This monitoring report presents an update on the Council's financial position. As the report sets out, an overspend of £0.081m is forecast for the financial year which. Without mitigating or corrective action this would reduce the level of the budgeted surplus that would transfer to the Financial Resilience Reserve at year end which is not considered appropriate given the scale of the financial challenge over the MTFS period.

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

9.3 Given the timing of the report, there is little additional mitigation measures available to improve financial performance. Income and expenditure budgets will continue to be monitored closely in the last month of the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance. During 2025/26 the Business and Intelligence unit will support the quarterly finance reporting process and will work with service leads to identify potential mitigations and resolutions to improve performance.

9.4 Heads of Service should take steps to identify management action(s) that will address underperformance and discuss these with the finance team and the relevant Director. Financial Performance Reports for 2025/26 will include options and recommendations for corrective action where underperformance against the budget has been identified, and options for improving financial performance even if the service is achieving income and expenditure targets.

9.5 A key aspect of this will be to explain financial performance in the context of service performance and outcomes. There is a risk with the current performance framework that aspects of service performance may be reported as on or above target, with little or no reference to financial performance. The Section 151 Officer will review the financial reporting and performance reporting with a view to integrating data from the Business and Intelligence Unit into the quarterly Financial Performance reports.

9.6 As set out in the CIPFA Financial Management Code, performance reporting is important for the Council to remain financially sustainable. Members must receive timely information on its financial and operational performance so that corporate priorities are delivered within budget. Early information about emerging risks to financial sustainability are key to ensuring the Council can take effective decisions and carefully consider an effective response.

10. FINANCIAL IMPLICATIONS

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

11. LEGAL IMPLICATIONS

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

12. RISK ASSESSMENT

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

13. EQUALITIES IMPACT

13.1 None

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14. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

14.1 None

15. BACKGROUND PAPERS

15.1 None

(END)