



# COTSWOLD

District Council

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>CABINET - 8 JANUARY 2026</b>
Subject	<b>FINANCIAL PERFORMANCE REPORT – Q2 2025/26</b>
Wards affected	All
Accountable member	Cllr 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	Michelle Burge, Chief Accountant and Deputy Section 151 Officer Email: <a href="mailto:michelle.burge@cotswold.gov.uk">michelle.burge@cotswold.gov.uk</a>
Summary/Purpose	This report sets out the second quarterly budget monitoring position for the 2025/26 financial year.
Annexes	Annex A – Capital Programme Outturn Forecast Annex B – Non-Treasury Management Prudential Indicators
Recommendation(s)	<p>That Cabinet resolves to:</p> <ol style="list-style-type: none"><li>1. Review and note the financial position set out in this report.</li><li>2. Approve the additional transfers to earmarked reserves as set in paragraph 4.12 of the report.</li><li>3. Endorse the principle to transfer 100% of any year-end Planning Fee income (over and above the budgeted level) to the Planning Appeals earmarked reserve, as set out in paragraph 4.23 of the report.</li><li>4. Approve the reallocation of the UKSPF capital budget as follows:<ul style="list-style-type: none"><li>- £0.229m to Rural England Prosperity</li><li>- £0.060m to UK Shared Prosperity Fund (UKSPF Capital)</li></ul></li></ol> <p>This results in a net reduction of £0.038m, in line with allocations from Government.</p>
Corporate priorities	<ul style="list-style-type: none"><li>• Delivering Good Services</li></ul>



# COTSWOLD

District Council

Key Decision	YES
Exempt	NO
Consultees/ Consultation	None



## **1. BACKGROUND**

- 1.1** This report presents to members the second quarterly outturn forecast and monitoring position statement for the 2025/26 financial year.
- 1.2** The purpose of this report is to notify members of any significant variations to budgets, highlight any key financial issues, and to inform members of options and further action to be taken.

## **2. EXECUTIVE SUMMARY**

- 2.1** This report sets out the outturn forecast for the financial year informed by Q2 budget monitoring.
- 2.2** Cabinet will review this report at their meeting on 08 January 2026.
- 2.3** Based on the Q2 budget monitoring exercise and an assessment of the risks and uncertainties facing the Council, the forecast outturn shows a positive variation of £0.016m. Although this is a reduction from the £0.097m forecast reported at Q1, it reflects the Council's strategy to utilise the enhanced financial position this year to reduce financial pressures in future years. The forecast outturn includes proposed transfers of several forecast underspends, as outlined in section 4.13 below, providing an opportunity to strengthen financial sustainability over the Medium-Term Financial Strategy (MTFS) period.
- 2.4** The forecast outturn also assumes that **100% of planning income in excess of budget** will be transferred to the Planning Appeals Reserve, as set out in recommendation three. In addition, **£0.150m of car park income in excess of budget** is allocated to fund the replacement of pay-and-display machines within the Council's Capital Programme, thereby maximising internal resources available for capital expenditure.
- 2.5** Based on the budget monitoring exercise undertaken for Q2 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is a positive variation of £0.016m, although this is a reduction in the reported forecast outturn of £0.097m reported at Q1 it reflects the fact that the Council are taking the opportunity to reduce financial pressures in future years by utilising the enhanced financial position this year. The forecast outturn includes proposed transfers of a number of forecast underspends as outlined in paragraph 4.13. This will provide the opportunity for additional financial sustainability over the MTFS-period.



**2.6** The forecast outturn position also now assumes that 100% of planning income in excess of budget is transferred to a planning appeals provision as outlined in recommendation three and that £0.150m of car park income in excess of budget is allocated to finance the replacement of pay and display machines within the Council's Capital Programme and maximise internal resources available to fund capital expenditure.

## 2.7

**Table ES1 – Revenue Budget Outturn Forecast (Q2)**

	2025/26 Latest Net Budget (£'000)	2025/26 Profiled Budget to Q2 (£'000)	2025/26 Actuals to Q2 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
<b>Revenue Budget</b>					
<b>Subtotal Services</b>	<b>19,165</b>	<b>7,358</b>	<b>6,779</b>	<b>18,197</b>	<b>(968)</b>
Less: Reversal of accounting adjustments	(1,925)		0	(1,925)	0
<b>Revised Subtotal Services</b>	<b>17,240</b>	<b>7,358</b>	<b>6,779</b>	<b>16,272</b>	<b>(968)</b>
Corporate Income & Expenditure	(1,537)	(478)	(704)	(404)	1,133
Provisions and Risk Items	0	0	0	0	0
<b>Net Budget Requirement</b>	<b>15,704</b>	<b>6,880</b>	<b>6,074</b>	<b>15,869</b>	<b>165</b>
<b>Funded by:</b>					
Council Tax	(7,065)	0	0	(7,065)	0
Retained Business Rates	(5,117)	2,402	2,403	(5,117)	0
Government Funding - Grants	(2,527)	(632)	(635)	(2,527)	0
Government Funding - NHB	(820)	(205)	(205)	(820)	0
Extended Producer Responsibility (EPR)	(1,502)	0	0	(1,683)	(181)
Collection Fund (surplus) / Deficit	689	0	0	689	0
<b>TOTAL Funding</b>	<b>(16,342)</b>	<b>1,565</b>	<b>1,563</b>	<b>(16,523)</b>	<b>(181)</b>
<b>Budget shortfall/(surplus)</b>	<b>(638)</b>		<b>7,637</b>	<b>(654)</b>	<b>(16)</b>



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

Variations at a glance	Positive variation (£'000)	Adverse Variation (£'000)	Net Variation (£'000)	Q1 Outturn Variance (£'000)	Movement from Q1 (£'000)
<b><u>Service Variations</u></b>					
Fees & Charges - Cemeteries		34	34	38	(4)
Fees & Charges - Licensing	(30)		(30)	(16)	(14)
Fees & Charges - Building Control	(49)		(49)	0	(49)
Fees & Charges - Bulky Waste	(20)		(20)	0	(20)
Trinity Road - Utilities	(37)		(37)	0	(37)
Car Park fees, permits and penalty charges	(174)	0	(174)	(55)	(119)
Car park expenditure	(26)		(26)	0	(26)
Commercial Property - Rental income shortfall (risk)		64	64	61	3
Tenant Area of Trinity Road	(20)		(20)	0	(20)
Development Management Fees	(400)		(400)	(249)	(151)
Recycling - Minor Contracts	(30)		(30)	0	(30)
Legal	0		0	(41)	41
Card payment processing charges		20	20	0	20
Net Homeless Expenditure (Flexible Homeless Grant higher than budgeted)	(45)		(45)	0	(45)
Postage and Printing		44	44	29	15
Communications - Cotswold News	(20)		(20)	0	(20)
Members Allowance increases (Council, 26 November 2025)		36	36	0	36
Court Cost income (Council tax and Business Rates)	(45)	0	(45)	0	(45)
Vacancy management	(205)	0	(205)	0	(205)
Other service variations		50	50	50	1
<b>Subtotal</b>	<b>(1,101)</b>	<b>248</b>	<b>(853)</b>	<b>(184)</b>	<b>(670)</b>
<b><u>Non-Service/Corporate Variations</u></b>					
Contingencies and Savings	(217)	0	(217)	0	(217)
Street Service savings	0	300	300	150	150
Development Management Fees - Appeals Risk	0	400	400	125	275
Impact of Publica Phase 2	(266)	0	(266)	0	(266)
New Posts not recruited	(240)	0	(240)	0	(240)
Transfer Vacancy and phase two service and recruitment saving to Capacity Building Reserve	0	710	710	0	710
Treasury Management income	(346)	0	(346)	(188)	(158)
Transfer to Treasury Management reserve	0	346	346	0	346
Additional EPR Grant (DEFRA), transferred to EPR Reserve	(182)	182	0	0	0
Transfer Car park surplus to revenue contribution to Capital Outlay		150	150	0	150
<b>Subtotal</b>	<b>(1,251)</b>	<b>2,088</b>	<b>837</b>	<b>87</b>	<b>750</b>
<b>Net Outturn Variation</b>	<b>(2,352)</b>	<b>2,336</b>	<b>(16)</b>	<b>(97)</b>	<b>81</b>



- 2.8** Members should note that whilst the outturn forecast is favourable there remain concerns around financial performance in certain service areas – particularly services where the Council’s net revenue budget is dependent on income from fees and charges.
- 2.9** Income and expenditure budgets will continue to be monitored throughout the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance.
- 2.10** The Council must ensure it can address the financial challenges arising from the Fair Funding review (“FF 2.0”) and Local Government Reorganisation (“LGR”) over the MTFS-period.
- 2.11** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team (“CLT”), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.
- 2.12** As set out in paragraph 2.3 and Table ES1, the Q2 outturn forecast for the year is favourable with an increased surplus forecast at the end of the financial year.
- 2.13** The revenue budget is likely to come under further pressure in 2027/28 as the Council considers the impact from LGR and ensures services continue to be provided to residents as usual. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government’s decision.
- 2.14** It is expected that additional capacity will be needed to support the emerging Corporate Plan, ensure services continue to be provided to residents, and support LGR. Therefore, it is proposed to maximise the level of resources available over the next 2 years, any additional budget surplus or one-off benefit is transferred to earmarked reserves (Capacity Building) at year end, subject to the final outturn position:
- 2.15** The Q2 forecast reflects a total underspend of £0.710m within employee-related budgets for 2025/26. This is due to the Vacancy Management approach set out in the Q1 Financial Performance report:



- **Vacant** posts not yet filled, resulting in savings of £0.205m plus Positions included in the 2024/26 budget for Transformation, Learning & Organisational Development and Strategic Housing have not been appointed, generating revenue savings of £0.240m.
- Lower anticipated expenditure on **recruitment** contributing £0.096m.
- Lower costs of Phase 2 of **Publica Review** against the prudent estimate resulting in an underspend of £0.170m

In line with the strategy agreed within the Q1 report, these savings are forecast to be transferred to earmarked reserves (Capacity Building) at year end, subject to the final outturn position. Consequently, the underspends have a net nil impact on the forecast variance to budget.

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

- **Forecast income variations** – underachievement: Cemeteries (£34k), Additional Income: Licensing (£30k), Building Control (£49k), Bulky Waste (£20k)
- **Car Parks** income from car park fees above budget (£155k), permits (£29k) and penalty charge notices forecast to be £10k under budget.
- **Development Management Fees** – exceeded budget by £0.400m
- **Trinity Road Utility costs** - £37k under budget
- **Post and Printing** - costs forecast to exceed budget by £44k, predominantly within the Revenues and Benefits service.
- **Commercial Property** rental income and vacant property costs (£64k adverse variation)
- **Street Services** for the purposes of this report, it is prudent to include a £0.300m risk variation against the £0.300m savings target (increase of £0.150m from Q1).
- **Treasury Management** and interest receivable performance (£0.346m positive variation, increase of £0.157m from Q1) with £0.346m to be transferred to the Treasury Management Reserve.

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

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



**Table ES3 – Capital Programme Outturn Forecast**

<b>Capital Programme</b>	<b>2025/26 LAB (£'000)</b>	<b>2025/26 Actuals to Q2 (£'000)</b>	<b>2025/26 Outturn (£'000)</b>	<b>2025/26 Outturn Variance (£'000)</b>
Leisure & Communities	64	38	64	0
Housing/Planning and Strategic Housing	1,845	705	1,600	(245)
Environment	1,334	146	676	(658)
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	93	150	(200)
UK Rural Prosperity Fund	229	0	229	0
UK Shared Prosperity Fund Projects	60	16	60	0
Land, Legal and Property	672	0	200	(472)
Transformation and Investment	0	0	0	0
<b>TOTAL Capital Programme</b>	<b>4,554</b>	<b>998</b>	<b>2,979</b>	<b>(1,575)</b>

**2.19** The capital programme is a forecast underspend of £1.575m. Further details are provided in Section 6 of this report.

**2.20** Financial Performance reports will be presented to members at the March 2026 Cabinet meeting with the outturn position likely to be finalised for the July 2026 Cabinet meeting.

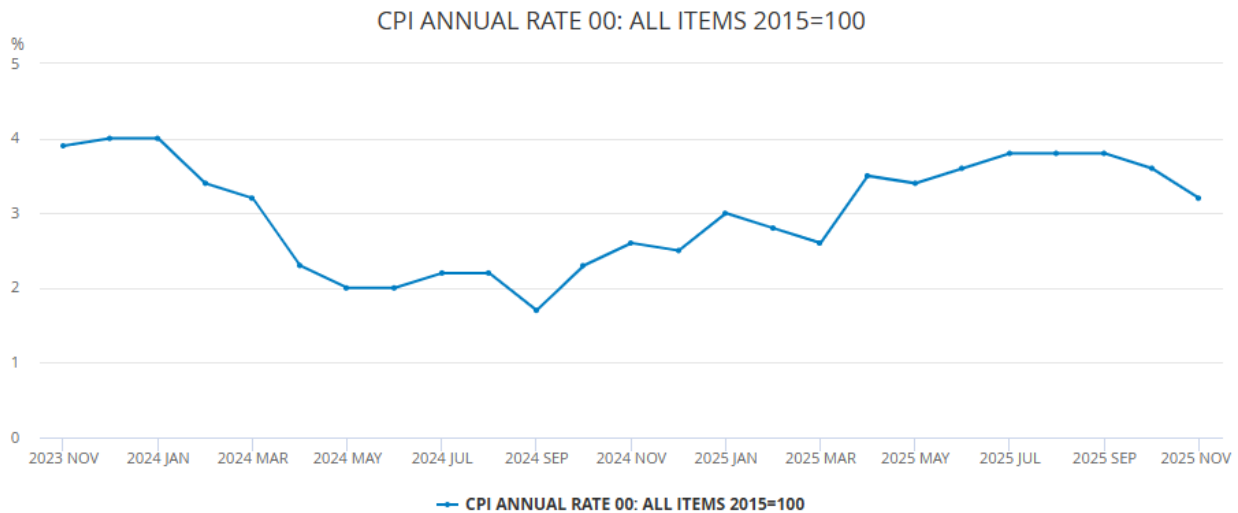
### **3. EXTERNAL ECONOMIC ENVIRONMENT**

#### **Inflationary Pressures**

**3.1** The level of inflation, as measured by the Consumer Prices Index, for November 2025 reduced to 3.2% (from 3.6% in October 2025). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 3.8% (4.3% in October 2025). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) reduced to 3.2% (3.4% in October 2025).

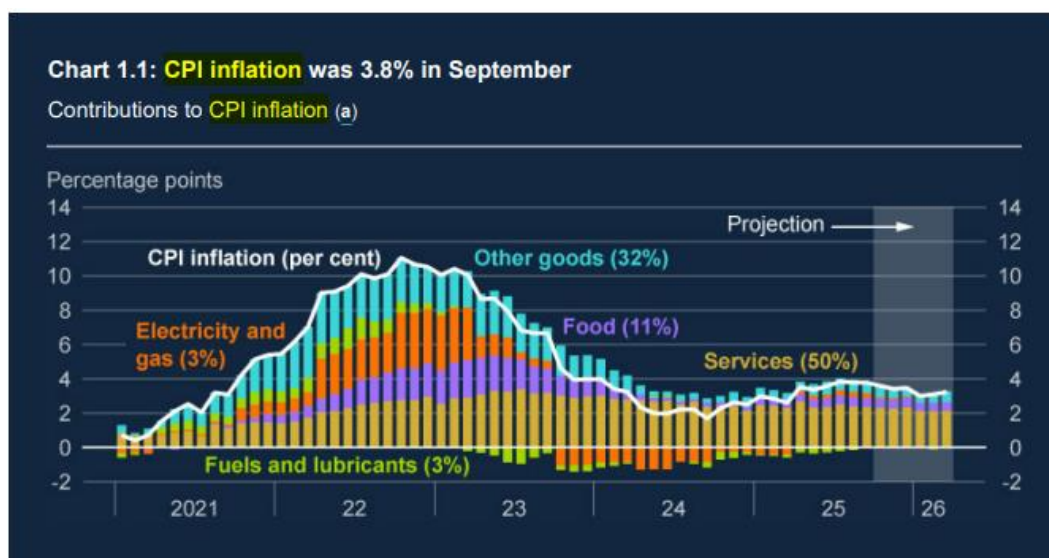


### Graph A – CPI Inflation



- 3.2** Although there has been substantial disinflation over the past two years, the Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI but has fallen below CPI during 2025.
- 3.3** 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

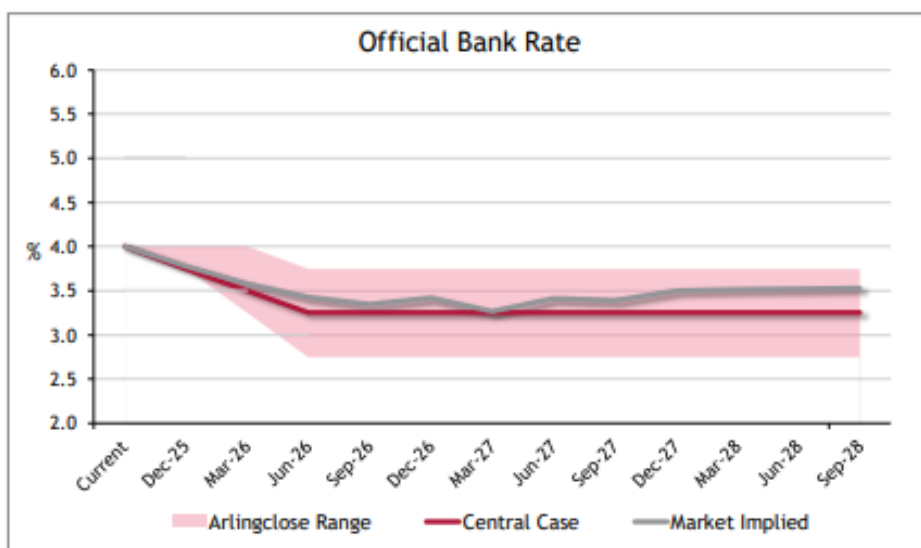




## Interest Rates

- 3.4** 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 the lower inflation rate reported in December.

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



- 3.5** 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.

## 4. 2025/26 REVENUE BUDGET FORECAST

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



**Table 1 – Revenue Budget reconciliation**

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

- 4.2** The revenue budget has been adjusted during Q2 as budgets are amended to reflect the transfer of services from Publica to the Council in Phase 2 of the Publica Transition. Whilst the net budget position (£15.704m) 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** As of 30 September 2025 (Q2) the Council's net expenditure (excluding Funding and Parish Precepts) was £6.074m against the profiled budget of £6.880m
- 4.4** The forecast outturn for 2025/26 is £15.869m, with funding exceeding the budget by £0.182m due to a higher-than-budgeted allocation of the Extended Producer Responsibility (EPR) grant. This results in a net favourable variance of £0.016m against the net budget.
- 4.5** Table 2 provides Members with an overview of the material outturn variations forecast across services, while Table 3 details the non-service revenue expenditure and income budgets.



**Table 2 – Revenue Budget Outturn Forecast Summary**

	2025/26 Latest Net Budget (£'000)	2025/26 Profiled Budget to Q2 (£'000)	2025/26 Actuals to Q2 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
<b>Revenue Budget</b>					
Environmental & Regulatory Services	695	360	312	616	(79)
Business Sup. Svcs - Finance, HR, Procurement	1,425	807	808	1,418	(7)
ICT, Change & Customer Services	2,502	1,176	1,181	2,492	(10)
Assets, Property & Regeneration	838	501	385	686	(152)
Publica Executives and Modernisation	104	51	51	104	0
Revenues & Housing Support	842	470	463	808	(34)
Environmental Services	4,761	2,018	1,841	4,548	(213)
Leisure & Communities	2,359	318	232	2,283	(75)
Planning & Strategic Housing	1,682	(103)	(445)	1,209	(473)
Democratic Services	1,366	657	585	1,318	(47)
Retained and Corporate	2,593	1,102	1,365	2,715	122
<b>Subtotal Services</b>	<b>19,165</b>	<b>7,358</b>	<b>6,779</b>	<b>18,197</b>	<b>(968)</b>
Less: Reversal of accounting adjustments	(1,925)		0	(1,925)	0
<b>Revised Subtotal Services</b>	<b>17,240</b>	<b>7,358</b>	<b>6,779</b>	<b>16,272</b>	<b>(968)</b>
Corporate Income & Expenditure	(1,537)	(478)	(704)	(404)	1,133
Provisions and Risk Items	0	0	0	0	0
<b>Net Budget Requirement</b>	<b>15,704</b>	<b>6,880</b>	<b>6,074</b>	<b>15,869</b>	<b>165</b>
<b>Funded by:</b>					
Council Tax	(7,065)	0	0	(7,065)	0
Retained Business Rates	(5,117)	2,402	2,403	(5,117)	0
Government Funding - Grants	(2,527)	(632)	(635)	(2,527)	0
Government Funding - NHB	(820)	(205)	(205)	(820)	0
Extended Producer Responsibility (EPR)	(1,502)	0	0	(1,683)	(181)
Collection Fund (surplus) / Deficit	689	0	0	689	0
<b>TOTAL Funding</b>	<b>(16,342)</b>	<b>1,565</b>	<b>1,563</b>	<b>(16,523)</b>	<b>(181)</b>
<b>Budget shortfall/(surplus)</b>	<b>(638)</b>		<b>7,637</b>	<b>(654)</b>	<b>(16)</b>

**Table 3 – Corporate Income and Expenditure**

	2025/26 Latest Net Budget (£'000)	2025/26 Actuals to Q2 (£'000)	2025/26 Outturn Forecast (£'000)	2025/26 Outturn Variance (£'000)
<b>Corporate Income and Expenditure</b>				
Savings & Contingency and non service income and exp	598	(28)	288	(310)
Treasury Management - Interest Payable	5	2	5	0
Treasury Management - Interest Receivable	(1,303)	(678)	(1,649)	(346)
Minimum Revenue Provision (MRP)	9	0	9	0
Revenue Contribution to Capital Outlay (RCCO)	0	0	150	150
Transfer to/(from) Earmarked Reserves	(846)	0	793	1,639
	<b>(1,537)</b>	<b>(704)</b>	<b>(404)</b>	<b>1,133</b>



- 4.7** As outlined, the forecast outturn position is a net underspend/favourable variance of £0.016m, although this is a reduction in the reported forecast outturn since Q1 it includes proposed transfers of a number of forecast underspends outlined in 4.13 below.
- 4.8** The Council must ensure it can address the financial challenges arising from the Fair Funding review ("FF 2.0") and Local Government Reorganisation ("LGR") over the MTFS-period.
- 4.9** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team ("CLT"), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.
- 4.10** As set out in paragraph 2.3 and Table ES1, the Q2 outturn forecast for the year is favourable with an increased surplus likely at the end of the financial year.
- 4.11** 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 the final proposal and plan for a new unitary structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government's decision.
- 4.12** It is anticipated that additional capacity will be required to support delivery of the emerging Corporate Plan, maintain continuity of services for residents, and prepare for Local Government Reorganisation (LGR). To achieve this, it is proposed to maximise the resources available over the next two years by transferring any additional budget surplus or one-off benefits to earmarked reserves (Capacity Building) at year-end, subject to the final outturn position.
- 4.13** This report assumes that the following underspends will be transferred to the Capacity Building earmarked reserve:
- £0.205m savings from vacancy management plus £0.240m new posts included in the 2025/26 budget
  - £0.266m underspend against the forecast impact of Publica Phase 2
- This results in a total transfer of £0.710m to the Capacity Building earmarked reserve.



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

- there is no material deterioration in the outturn forecast in Q3-Q4.
- additional expenditure in any particular service area is offset by a corresponding decrease in expenditure in other service areas.

### **Key Variations**

**4.15** 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.

**4.16** For the purposes of this report a risk provision of £0.300m has been included against the cost reduction of £0.300m included in the 2025/26 revenue budget for the **Street Cleaning**. Initial scoping work has identified cost reductions and service efficiencies; a wider review of service options is being undertaken to ensure service standards are clearly defined with corresponding cost reductions. Following a review of service operations by APSE (Association of Public Service Excellence), and options for cost reduction are being reviewed and tested ahead of any decision on service design.

**4.17** Where income shortfalls have been forecast, it is expected that Business Managers and Assistant Directors evaluate options for corrective action. The evaluation must include an assessment of the service cost and income, market positioning, and unit cost and benchmarking data analysis. Options should outline, if possible, how the service can be financially sustainable.

**4.18 Cemetery fees** – forecast shortfall in income of £34k (£38k Q1) due to continued lower service use in Q2. Whilst this position may change in the second half of the year, it is prudent for budget monitoring purposes to include the variation.

**4.19 Licensing income** – is forecast to exceed budget by £30k largely in respect of taxi drivers' licences. (£16k at Q1)

**4.20 Development Management fees** - overachievement of planning fees by £0.341m at Q2. This includes £0.776m of Planning Fees (28 Major and 953 Other) (budget of £0.437m) £0.074m of Pre-Application fees (230), (budget of £0.071m). 619 non-fee applications have also been processed.

**4.21** The service has overachieved in planning application fee income as a result of a series of major housing and other developments that came forward within the first half of the financial year. Following the changes to the National Planning Policy



Framework in December 2024, the Council can no longer demonstrate a 5-year housing land supply. This has resulted in a number of speculative housing developments coming forward in during the first half of 2025/26:

- 195 dwellings in Moreton-In-Marsh
- 98 dwellings in Fairford (approved in September 2025)
- 120 dwellings in Mickleton
- Solar farm near Siddington.

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

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

**4.24 It was approved in principle at the September 2025 Cabinet meeting to hold 50% of the forecast additional income as a risk provision. This will have the effect of reducing the net variation during the financial year. Due to the favourable position reported at Q2 and subject to the final outturn position for Development Management Fees remaining positive (i.e. income received in the year is above the budgeted level), it is proposed that 100% of the variation is transferred to the Planning Appeals reserve.**

**4.25** The Council is not expected to achieve the budgeted level of commercial rental income from its **Investment Properties** due to ongoing economic challenges in the retail and office sectors, which are exerting downward pressure on rents. A forecasted income shortfall of £0.064m is forecast primarily related to the out-of-district investment property (former Wilko's store in Great Bridge, Tipton). A lease agreement with a new tenant was agreed earlier in the calendar year, with occupation commencing in July 2025 following completion of fit-out. In common with most commercial lettings, the lease agreement includes a six-month rent-free



period. The variation arises due to the new lease commencing later than anticipated than the budget assumption, and additional empty property costs over the time period.

- 4.26** Following the installation of Solar PV at Trinity Road and rental income from the **tenanted areas of Trinity Road Offices**, the Council is forecast to achieve £0.045m, in income for 2025/26. This represents an excess of £0.020m above the budgeted target of £0.025m. Live data dashboards provide updates on occupancy and enquiries, supporting proactive management. Formal quarterly performance meetings continue to monitor process. Current occupancy: 50% of offices let and 35% of available desks occupied.
- 4.27** Income from the Council's **Car Parks** has continued to perform positively in the first half of 2025/26 with income forecast to exceed budget by £0.156m. Income from Car park permits is also expected to exceed budget by £0.029m whilst Penalty Charge Notices (PCNs) is forecast to be £0.011m below target, 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. The Council's Car Parking Strategy 2025-2028 and action plan, approved and adopted by Cabinet in November 2025 included a recommendation to consider strengthening enforcement resources to match the needs of the district.
- 4.28** The car park expenditure budget includes a forecast underspend of £0.026m, primarily relating to costs such as repairs and maintenance, contractors fees for card charges and parking and permit software charges.
- 4.29 Building Control** – The first half of 2025/26 has seen a notable improvement in performance compared to 2024/25. Market share is averaging 71% up to the end of Q2, with 294 applications processed, representing a 12% increase in market share compared to the same period last year. Application volumes remain steady, with only a slight year-on-year increase of 12 applications. Income has exceeded the budget by £0.039m to date. Building regulation fees were increased for the 2025-26 financial year to better reflect the cost of running the service. Forecast income outturn is currently reported as being £0.060m above budget. Expenditure is forecast to be overspend by £0.011m due to audit fees arising from the Building Safety regulator. Despite this expenditure pressure, the service is forecasting a net favourable variance of £0.049m.



**4.30 Public Conveniences** – Income from public conveniences charges is currently in line with the approved budget. Charging has been implemented at ten of the eleven public conveniences across the district, including Chipping Campden, Tetbury and Lechlade from August 2025. Further options will need to be explored during 2025/26 to minimise or eliminate entirely the net subsidy required to operate these facilities of £0.164m for 2025/26 (excluding depreciation and assumes income of £0.110m from fees). The public conveniences in Northleach where no charge is currently applied, are scheduled to transfer to Northleach and Eastington Town Council from 1st April 2026, subject to an agreement and the provision of a one-off grant of £0.008m.

**4.31 Land Charges** – income is on target, at Q2 (£0.091m). Application volumes have seen a notable increase in the first half of 2025/26, with 843 searches received, compared to 750 in Q1 2024/25. This represents a 12% year-on-year rise, significantly above the typical average for this point in the year of around 680 applications.

**4.32 Green Waste** fees are expected to achieve budgeted income of £1.588m by the third quarter of the 2025/26 financial year, income is (£0.007m) below the profiled budget at Q2.

**4.33** Despite an increase in budget of £0.030m in 2025/26, Expenditure in respect of **postage and printing** within the revenues and benefits service is forecast to be overspent by £0.044m by the end of the financial year. This includes 4,708 letters sent out as part of the LIFT project and increases in pricing. Additional analysis will be required as part of the 2026/27 budget setting process and to understand the position and analyse the cost pressure arising from the additional work associated with the LIFT project.

**4.34 Ubico Contract** – the Council's Environmental (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc) are provided by Ubico Ltd. The contract with Ubico for 2025/26 of £8.863m is forecast to cost £8.932m – an adverse variation of £0.069m This is predominantly due to additional costs of £0.099m due to higher than estimated vehicle hire and repair costs (£0.073m) and higher employee costs caused by high levels of sickness in waste and recycling, offset by vacancies within street cleaning (£0.041m). These pressures have been partially mitigated by lower diesel costs due to favourable pump prices compared to budget (£0.057m). Officers will work closely Ubico with the that the service should be



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

**Table 5 – Ubico Contract Monitoring**

<b>Waste, Recycling, Street Cleaning and Grounds Maintenance Services</b>	<b>Ubico Contract Costs OB (£'000)</b>	<b>Ubico Contract Costs CS (£'000)</b>	<b>Forecast Outturn (£'000)</b>	<b>Forecast Outturn Variance (£'000)</b>
Car Parks GM [CTW668]	68	68	63	(5)
CCM001 Cemetery/Churchyards GM [CTW688]	166	166	154	(11)
RYC002 Garden Waste Collection [CTW634]	1,310	1,310	1,321	12
WST001 Household Waste [CTW611]	1,844	1,844	1,857	13
RYC001 Recycling [CTW633]	3,340	3,340	3,408	68
RYC003 Refuse/Recycling/Food Waste [CTW635]	732	732	742	11
STC001 Street Cleaning [CTW666]	1,387	1,387	1,369	(18)
Trinity Road Offices GM [CTW668]	17	17	16	(1)
<b>Grand Total</b>	<b>8,863</b>	<b>8,863</b>	<b>8,932</b>	<b>69</b>
<b>Net variation on contract</b>				<b>69</b>

### **Treasury Management**

- 4.35** Dividends from the Council's longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.215m were received in the six months to the 30 September 2025 year achieving a return of 4.23%. Interest from short term cash deposits including the Debt Management Office (DMO) was £0.432m due to higher surplus balances and interest rates remaining at a higher level than assumed in the budget and MTFS.
- 4.36** It should be noted that the budgeted level of net investment income for 2025/26 is £1.208m – a decrease of £0.077m over the 2024/25 budgeted level and recognises the current interest rate position. This is a prudent estimate for the year and is lower than the final 2024/25 level of investment income achieved of £1.621m given the forecast interest rate reductions over the financial year.



- 4.37** It is not expected that the current interest rate level will be maintained over the MTFS period, as set out in Section 3 of this report, with expectations of investment income in 2026/27 reducing to around £1.0m with a further reduction to £0.500m by 2027/28.
- 4.38** A prudent forecast of investment income has been included in the outturn forecast of £1.484m. This includes the expectation that the base rate would be reduced in December 2025 to 3.75%. This results in a £0.346m positive variance against budget and subject to the outturn position at year end will be transferred to the Treasury Management risk reserve to mitigate any potential losses on pooled funds or borrowing costs in the future.
- 4.39** The level of investment income for the year will depend on the performance of both short-term investments (Money Market Funds, deposits with the DMO) and dividends from the long-term investment. The table below provides members with a high-level overview of the Council's Treasury Management investments on 30 September 2025.

**Table 6 – Treasury Management Investments**

<b>Investment type</b>	<b>Balance invested at 30/09/25 (£'000)</b>	<b>Investment Income received to 30/09/25 (£'000)</b>	<b>2025/26 Forecast (£'000)</b>
Bank of England DMDAF	10,000	222	574
<b>Money Market Funds</b>			
Federated Money Market Fund	3,000	64	132
DGLS Money Market Fund	3,000	64	132
Insight Liquidity Money Market Fund	3,000	58	124
Lloyds Instant Access	265	11	21
Santander Call Account	1	-	1
Other Short-term deposits	-	13	13
<b>Real Estate Investment Trusts (REIT)</b>			
Fundamentum Housing REIT	650	8	30
<b>Cash Plus Fund</b>			
Federated Cash Plus Fund <sup>1</sup>	1,239	-	-

<sup>1</sup> Investment income is reinvested into the funds' capital value rather than distributed as dividends.



<b>Pooled Funds</b>			
CCLA Property Fund	2,199	25	95
Shroders Income Maximiser Fund	922	36	54
CCLA Cautious Multi Assets Fund	926	11	30
M&G UK Income Fund	1,943	54	104
Ninety-One Investec Diversified Fund	1,848	38	88
Columbia Threadneedle Bond Fund	1,959	43	86
	<b>30,952</b>	<b>647</b>	<b>1,484</b>

**4.40** Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 24 February 2025. Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

**4.41** The CIPFA Code was updated in 2021 and includes the mandatory requirement, 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 B** of this report provide members with an overview on the non-treasury position.

### **Corporate Income and Expenditure, Provisions, and Risk**

**4.42** 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.

**4.43** As outlined earlier in the report, a risk provision of £0.300m has been included in the outturn forecast to cover an expected shortfall against the Street Cleaning savings target of £0.300m.

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**4.44** As outlined earlier in this section, the performance of the Council's Treasury Management Investments is a result of higher than anticipated interest rates and surplus balances to invest.

## **5. PUBLICA REVIEW**

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

**5.2** The TUPE transfer of staff to the Council was completed in July 2025 with the following services transferring.

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

**5.3** The in-year cost is forecast to be lower than the budgeted amount due to a number of vacancies transferring to the Council. At Q2, there is a forecast net underspend of £0.170m against the £0.225m provision, reflecting both vacancies and service costs being lower below budget assumptions.

**5.4** The cost for the Council's share of redundancy and pension strain costs for Phase 2 is £0.171m, within the amount set aside within the Financial Resilience reserve and Publica Review Reserve (£0.300m).

## **6. CAPITAL PROGRAMME**

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

**6.2** The capital programme for 2025/26 is £4.592m with a total net spend of £0.998m as at 30 September 2025.

**Table 7 – Capital Programme budget reconciliation**



<b>Capital Programme Reconciliation</b>	<b>(£'000)</b>
Original Budget (Council February 2025)	<b>4,027</b>
Slippage from 2024/25 (Cabinet 10 July)	<b>565</b>
Reallocation of the UKSPF capital budget (£0,327m) as follows: -£0.229m to Rural England Prosperity Fund -£0.060m to UK Shared Prosperity Fund (UKSPF capital) in line with agreed allocations. This results in a net reduction of £0.038m, in line with agreed allocations.	<b>(38)</b>
<b>Latest Budget</b>	<b>4,554</b>

**Table 8 – Capital Programme Outturn Forecast**

<b>Capital Programme</b>	<b>2025/26 OB (£'000)</b>	<b>Slippage From 2024/25 (£'000)</b>	<b>2025/26 Adjs (£'000)</b>	<b>2025/26 LAB (£'000)</b>	<b>2025/26 Actuals to Q2 (£'000)</b>	<b>2025/26 Outturn (£'000)</b>	<b>2025/26 Outturn Variance (£'000)</b>
Leisure & Communities	0	64	0	64	38	64	0
Housing/Planning and Strategic Housing	1,718	127	0	1,845	705	1,600	(245)
Environment	1,132	202	0	1,334	146	676	(658)
Retained & Corporate	0	0	0	0	0	0	0
ICT, Change and Customer Services	350	0	0	350	93	150	(200)
UK Rural Prosperity Fund	0	0	229	229	0	229	0
UK Shared Prosperity Fund Projects	327	0	(267)	60	16	60	0
Land, Legal and Property	500	172	0	672	0	200	(472)
Transformation and Investment	0	0	0	0	0	0	0
<b>TOTAL Capital Programme</b>	<b>4,027</b>	<b>565</b>	<b>(38)</b>	<b>4,554</b>	<b>998</b>	<b>2,979</b>	<b>(1,575)</b>

**6.3** The outturn forecast for the current year is an underspend of £1.575m (£0.320m at Q1). **Annex A** sets out the detailed forecast outturn with commentary from budget holders and is summarised in Table 9 above.

**6.4** The significant variations forecast on the Capital Programme are:

- **Asset Management Strategy** - A forecast underspend of £0.472m is anticipated, primarily due to planned roof works at Abberley House being deferred to 2026/27. The delay reflects the need to align the works with the wider asset management and funding will be reprofiled in the 2026/27 capital programme.



- **Private Sector Housing Renewal (Disabled Facilities Grant)** - Estimated that the annual expenditure will be approximately £1.6m resulting in an underspend of £0.175m.
- **Provision for financing of Ubico Vehicles** – underspend of £0.573m forecast against budget. The unspent budget relates to two stillage vehicles and a cage vehicle included on the capital fleet replacement programme which are still required but have not been procured to date at an estimated cost of £0.479m. This budget will be carried forward to 2026/27 subject to approval.
- **Bromford Joint Venture - (£0.070m)** Planning consent was granted on the 12 March, However Bromford need to resolve issues around drainage which is delaying the commencement of the work. This may delay commencement of works until 2027 unless Thames Water will bring their upgrade plans forward.
- **Replacement/Upgrade of Pay and Display Machines (£0.125m)** – Although the tendering process for a new supplier has commenced. Installation not expected until 2026/27, it was noted as part of the Car Parking Strategy approved and adopted by Cabinet (November 20<sup>th</sup> 2025) that a further £40,000 will be allocated to the 2026/27 capital programme and that the intention is to finance the replacement of the car park ticket machines from the additional car park fee income forecast for 2025/26.
- **Public Conveniences** – Accelerated rollout of payment devices including new doors at West Street (Tetbury), Chipping Campden, Lechlade, Northleach, and replacement paddle gates at the two facilities in Bourton-on-the-Water (Rissington Road and Church Rooms). Additional spend of £0.050m will be funded from capital receipts.
- **Planning Documents and Scanning Solution** – Planning Service and ICT are scoping improvements to the IDOX system as part of wider service transformation agenda to focus on delivering services efficiencies through ICT. Implementation not expected until 2026/27. Budget to be carried forward subject to approval. (£0.200m)
- **In cab technology (Street Cleaning)** – Project slippage means that this budget is likely to be carried forward to 2026/27 subject to approval. (£0.060m)

**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



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the revenue impact of capital expenditure and financing decisions were fully considered.

### **Capital Receipts and Disposals**

- 6.6** There has been one asset disposal during the second quarter of the financial year, the sale of Memorial Cottages completed in Q2 generating a capital receipt of £0.248m. Total receipts of £0.605m received in the 2025/26 financial year to date, no further receipts are forecast.



**Table 9 – Capital Financing Forecast**

Capital Financing Statement	2025/26 OB (£'000)	Slippage From 2024/25 (£'000)	2025/26 Adjs (£'000)	2025/26 LAB (£'000)	2025/26 Outturn (£'000)	2025/26 Outturn Variance (£'000)
Capital receipts	2,052	221	0	2,273	907	(1,366)
Capital Grants and Contributions	1,975	251	(38)	2,188	1,979	(209)
Earmarked Reserves	0	0	0	0	0	0
Revenue Contribution to Capital Outlay (R)	0	0	0	0	0	0
Community Municipal Investments (CMI)	0	93	0	93	93	0
Prudential Borrowing	0	0	0	0	0	0
	<b>4,027</b>	<b>565</b>	<b>(38)</b>	<b>4,554</b>	<b>2,979</b>	<b>(1,575)</b>

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

### **Prudential Indicators**

- 7.2** The detailed Non-Treasury Management prudential indicators are included in **Annex B** with the commentary below providing members with a high-level summary.
- 7.3** Whilst there is no underlying need to borrow with the Capital Programme financed through internal resources and external grants and contributions, any additional capital expenditure proposed during the year will need to consider the availability and cost of capital financing. The mid-year Treasury Management reported to Audit and Governance Committee sets out the wider impact on the Capital Financing Requirement.

## **8. RISKS AND UNCERTAINTIES**

- 8.1** The report outlines several risks and uncertainties around the wider economic environment and achieving the Street Service savings of £0.300m.



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

## **9. CONCLUSIONS**

- 9.1** Members should note that whilst the outturn forecast is favourable there remain concerns around financial performance in certain service areas – particularly services where the Council’s net revenue budget is dependent on income from fees and charges.
- 9.2** Income and expenditure budgets will continue to be monitored throughout the financial year. In some instances, income budgets for 2025/26 have been adjusted downward to reflect historic underachievement of income. However, this should not be seen as a desirable outcome – more that it recognises in setting the budget for the forthcoming financial year the estimates need to be robust in the context of current financial performance.
- 9.3** The Council must ensure it can address the financial challenges arising from the Fair Funding review (“FF 2.0”) and Local Government Reorganisation (“LGR”) over the MTFS-period.
- 9.4** Oversight of the Vacancy Management process has been strengthened by the Corporate Leadership Team (“CLT”), with CLT authorisation required to fill a vacancy, either on a short-term or long-term basis. CLT have also reviewed the process for assessing requests for additional resources to ensure a single and consistent approach is taken to the development and appraisal of proposals and business cases.
- 9.5** As set out in paragraph 2.3 and Table ES1, the Q2 outturn forecast for the year is favourable with an increased surplus likely at the end of the financial year.
- 9.6** The revenue budget is likely to come under further pressure in 2026/27 and 2027/28 as the Council considers the impact from LGR and ensures services continue to be provided to residents as usual. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary structure in Gloucestershire, and implementation of the proposal from mid-2026 following the Government’s decision.



- 9.7** 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 was recommended and approved in principle at the September 2025 Cabinet meeting 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 (Capacity Building), subject to the final outturn position.
- 9.8** The increase in major planning applications (and associated income from fees) for housing developments does bring additional risks. As a large number of these schemes are speculative, it is likely that a number will be refused permission and will therefore result in appeals. Given the scale of development, there is a high chance appeals are dealt with as informal hearings or inquiries which bring greater costs to the Council. Planning permission was refused in Q1 for 54 dwellings in Lechlade, which is likely to result in an appeal submission in late 2025/early 2026.
- 9.9** At its September 2025 meeting, Cabinet approved in principle the allocation of 50% of the forecast additional income as a risk provision to mitigate financial volatility by reducing net variation during the year. Subject to the final outturn for Development Management Fees remaining positive—i.e., income exceeding the budgeted level—it was agreed that 50% of the resulting variation would be transferred to the Planning Appeals Reserve. Following the Q2 review, and given the favourable forecast outturn position, it is now recommended that 100% of income in excess of budget be transferred to the Planning Appeals Reserve, as set out in recommendation 2.
- 9.10** This monitoring report provides an update on the Council's financial position. As outlined in the report, the forecasted favourable outturn will enable a transfer of £0.710m from underspends related to recruitment, vacancies, and the Publica review costs to the Capacity Building Reserve at year-end. This transfer will support capacity-building initiatives in preparation for Local Government Reorganisation (LGR).

## **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



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made for the purposes of calculating the annual budget, and on the adequacy of proposed financial reserves. Members must have regard to that report when making decisions about the calculations in connection with which it is made.

## **12. RISK ASSESSMENT**

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

## **13. EQUALITIES IMPACT**

**13.1** None

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

**14.1** None

## **15. BACKGROUND PAPERS**

**15.1** None

(END)