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REPORT OF THE CHIEF FINANCE OFFICER

1. BACKGROUND

- 1.1** Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set on:
- the robustness of the estimates included in the budget.
 - and the adequacy of the financial reserves in the budget
- 1.2** The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).
- 1.3** In a briefing note on the Section 25 Statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) highlight the importance for members as it provides "critical context for budgetary discussions" and ensures that "all members have regard to the professional advice provided by the authority's chief financial officer when final budget decisions are being made."
- 1.4** Whilst there is no prescribed format for the Section 25 statement, recent discussions have focussed on ensuring the statement provides members with a clear understanding of the key strategic risks and challenges facing the sector:
- 1.5** Local authorities are under significant financial pressure with several issuing Section 114 notices and/or receiving, Exceptional Financial Support (EFS). Several authorities have also been the subject of specific Public Interest Reports.
- 1.6** MHCLG have sought early engagement with local authorities who may be at risk of issuing a Section 114 notice. The aim of this engagement is to mitigate the risk of a Section 114 notice by exploring options which may lead to the Government providing Exceptional Financial Support (EFS). This is a form of temporary financial assistance provided by the Government to local authorities that are facing severe financial difficulties. This support is typically used to help a council meet its immediate financial



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obligations and comply with the Statutory requirement to set a balanced budget for the year ahead.

- 1.7** It is provided under specific, exceptional circumstances, and local authorities usually need to demonstrate that they have exhausted all other options before this support is granted. The terms of the support can vary and might include loans or other forms of financial assistance. For the coming financial year, six local authorities have been through EFS, and been able to increase their Council Tax by more than the limits set out within the Referendum Principles.
- 1.8 It is worth stating that whilst there is no immediate risk of Cotswold District Council having to apply for Exceptional Financial Support or consider issuing a section 114 notice, members will note the budget gap forecast from 2027/28 and over the medium-term must be closed to maintain financial sustainability.**
- 1.9** The Provisional Local Government Finance Settlement published on 17 December 2025 incorporated reforms arising from the Fair Funding 2.0 consultation and introduced significant changes to the way local authorities are funded. The settlement provided details of funding for the financial years 2026/27 through to 2028/29 and reduces the level of uncertainty across the sector.
- 1.10** The Final Settlement was published on 09 February 2026 with a significant and unprecedented change to the 3-year funding allocation announced in the provisional settlement. The final settlement changed the methodology used to allocate Business Rates Pooling Gains between types of authority. This resulted in a reduction in funding of £0.698m for Cotswold District Council. Although the 2026/27 reduction has been fully offset by an additional grant (Adjustment Support Grant) no such provision has been made for 2027/28 or 2028/29. Given the late notice of the change, it has not been possible to consider plans or consult with the administration to mitigate the impact.
- 1.11** A balanced budget for 2026/27 has been achieved, it will be necessary to make further adjustments over the MTF5-period to maintain financial sustainability.



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1.12 Plans for Local Government Reorganisation (LGR) have introduced a further element of uncertainty into medium-term financial planning. The outcome for the future structure of local government across Gloucestershire is still to be determined and the resource impact of moving to the new arrangements is significant. However, sufficient financial provision has been included within the 2026/27 revenue budget and MTFS estimates to meet the additional cost of LGR. Further details are included at paragraphs 2.6 to 2.10 of this statement.

1.13 The Council's Revenue Budget, Medium Term Financial Strategy and Capital Programme have been prepared with reference to CIPFA guidance on prudential property investment. As Section 151 Officer, I have also had regard to CIPFA's Financial Resilience Index and the CIPFA Financial Management Code (FM Code).

2. ROBUSTNESS OF ESTIMATES

2.1 The budget setting process at Cotswold District Council has been operating effectively for many years and has been prepared by appropriately qualified and experienced staff in consultation with management.

2.2 Service areas are required to undertake a review of service revenue budgets and work with the Finance Team to produce detailed estimates for the forthcoming financial year. Proposed changes to service budgets are carefully reviewed, with consideration of savings and unavoidable budget pressures by senior management and Cabinet Members.

2.3 Budget Pressures have been reviewed, challenged, and validated and only included in the MTFS where there is a clear business need or a wider strategic requirement to invest in service delivery.



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- 2.4** Contract costs for Ubico and Publica have been reviewed and challenged. The contract sum for Ubico has increased by £0.310m (3.50%) largely due to the provision for the pay award and increasing costs associated with the maintaining and servicing the Waste Fleet.
- 2.5** Following the transfer of services from Publica in November 2024 and July 2025, the contract sum for the services that continue to be delivered have been subject to a detailed review and rebasing. A new financial model was developed and subject to scrutiny by Section 151 Officers that provided detailed analysis and apportionment of service costs on a Cost Centre by Cost Centre basis. The revised contract sum for 2026/27 is £5.715m – a reduction of £0.280m from the equivalent 2025/26 base contract sum. As with the Ubico contract, increased costs of employment (£0.168m) are included and highlight the need to ensure the costs for all Council services are subject to challenge, review, and transformation to demonstrate Value for Money.
- 2.6** Proposals for Local Government Reorganisation (LGR) were submitted to the Government in November 2025 with the Council supporting a single unitary model.
- 2.7** LGR has been considered when setting the budget with a particular focus on the reserve position. On the published timeline for reorganisation, it is expected that Cotswold District Council (and all other Gloucestershire Councils) will cease on 31 March 2028 with either a single unitary or two unitary Councils established on 01 April 2028.
- 2.8** All Gloucestershire Councils have agreed a split of the transition costs. £2m has been set aside in the Council Priority: LGR Transition reserve to meet this Council's share of costs. Gloucestershire County Council will act as the accountable body.
- 2.9** A further £1.0m has been set aside in the Council Priority: Capacity Building reserve to ensure the delivery of services and Council priorities. It is expected that there will be an impact of staffing resource from LGR and challenges with recruitment and retention.



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Additional expenditure arising from this will be monitored and reported to Cabinet as part of the quarterly Financial Performance reporting.

- 2.10** There is a duty on statutory officers and members to ensure that a new council inherits a sustainable financial and operational position, and this should be considered when setting the budget and MTFS. The current position shows that Risk Mitigation earmarked reserve balances remain beyond 31 March 2028 and will be passed over to the new council.
- 2.11** The Revenue Budget, Capital Programme and MTFS have been subject to scrutiny through the Council's Overview and Scrutiny Committee. The Annual Capital Strategy and Annual Treasury Management Strategy and Non-Treasury Investment Strategy have been subject to review through the Council's Audit and Governance Committee
- 2.12** Financial management remains robust as demonstrated by the quarterly Financial Performance Reports that are considered by Cabinet and the Overview and Scrutiny Committee. The closing financial position for 2025/26 is due to be reported in July 2026 subject to completion of the outturn process.
- 2.13** It is important that the council can balance the budget over the medium term in a sustainable and manageable way through a combination of income, sensible and prudent use of reserves and a robust savings and transformation programme.
- 2.14** The basis on which the budget for 2026/27 and the MTFS have been prepared has been set out clearly in this report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound and reasonable assumptions.

3. ADEQUACY OF THE RESERVES

- 3.1** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves considering the financial risks faced by the Council. The review



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has considered guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).

- 3.2** The review confirms the General Fund balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that allows the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must continue to identify and deliver new savings rather than rely on the Financial Resilience Reserve to balance the budget.
- 3.3** The Council has utilised Capital Receipts to finance capital expenditure with the balance on the Capital Receipts Reserve forecast to be £4.9m at the end of 2025/26. As shown in the Capital Expenditure and Financing section the report, the Council will utilise internal resources to finance the Waste Fleet replacement programme. This removes the immediate need to undertake prudential borrowing to finance capital expenditure.
- 3.4** Whilst the level of balances and reserves shown in the report indicates that the Council is currently in a good financial position, the cumulative budget gap of £11m over the MTFS period (noting that £7.2m falls in 2029/30) would place significant pressure on reserves and balances during 2028/29. The Council will need to ensure the continued delivery of robust, balanced, and proportionate savings to mitigate the budget gap over the MTFS-period and to ensure the new council inherits a sustainable financial position.
- 3.5** The MTFS does not include any savings targets as an approach to mitigating the budget gap. Including savings targets would not provide a credible MTFS or projection on reserve balances. Targets would not be robust as there would be insufficient details, plans, or business cases to support the inclusion of savings targets.



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- 3.6** I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2026/27 and the need to ensure reserves remain adequate over the medium-term.
- 3.7** As an overall summary the financial position of the council remains positive. Estimates are robust and a balanced budget position has been achieved for 2026/27. A budget gap opens up over the MTFs-period in part due to the late change in government funding allocations. Members and officers will need to continue to work closely to ensure that there is a continued focus on sound financial management and governance as part of this process.
- 3.8** In conclusion, I can advise Members of the robustness of the estimates and the affordability and prudence of capital estimates for 2026/27. The level of reserves remains adequate to support the 2026/27 financial position and demonstrates financial resilience. However, this is only the case if action is taken to ensure that the balances are set at the level of £1.760m for 2026/27 and that all savings proposals, are monitored closely and delivered as planned.

David Stanley
Deputy Chief Executive and Section 151 Officer
12 February 2026