CORPORATE PERFORMANCE REPORT 2026/27 Q1 – ANNEX A

COTSWOLD
District Council

1. EXECUTIVE SUMMARY

1.1 This report sets out the outturn forecast for the financial year informed by Q1 budget monitoring. Overview and Scrutiny Committee considered this report at their meeting on 07 September 2026.

1.2 Based on Q1 budget monitoring and an assessment of risks and uncertainties, the outturn forecast is a positive variation of £0.122m. This provides an opportunity to strengthen the Council's financial sustainability over the MTFS period and supports its transition towards Local Government Reorganisation (LGR) from 1 April 2028.

Table ES1 – Revenue Budget Outturn Forecast (Q1)

Revenue Budget	2026/27 Latest Net Budget (£'000)	2026/27 Profiled Budget to Q1 (£'000)	2026/27 Actuals to Q1 (£'000)	2026/27 Outturn Forecast (£'000)	2026/27 Outturn Variance (£'000)
D01: Governance	3,352	1,319	1,690	3,327	(25)
D02: Resources	3,327	1,517	809	3,041	(287)
D03: Communities and Place	11,745	(230)	5,147	11,846	101
D04: Chief Executive	922	379	428	953	31
Subtotal Services	**19,346**	**2,986**	**8,074**	**19,167**	**(179)**
Less: Reversal of accounting adjustments	(2,164)	0	0	(2,164)	0
Revised Subtotal Services	**17,182**	**2,986**	**8,074**	**17,003**	**(179)**
Corporate Income & Expenditure	1,274	0	0	1,442	169
Subtotal Non-Service Expenditure	**18,456**	**2,986**	**8,074**	**18,446**	**(10)**
Net Budget Requirement	**18,456**	**2,986**	**8,074**	**18,446**	**(10)**
Less: Funding from Earmarked Reserves	(1,245)	0	0	(1,357)	(112)
Net Revenue Budget to be financed	**17,211**	**2,986**	**8,074**	**17,089**	**(122)**
Funded by:					
Council Tax	(7,420)	0	0	(7,420)	0
Retained Business Rates	(1,433)	0	0	(1,433)	0
Revenue Support Grant (RSG)	(5,818)	0	0	(5,818)	0
Government Funding - Grants	(1,558)	0	0	(1,558)	0
Extended Producer Responsibility (EPR)	(1,721)	0	0	(1,721)	0
Collection Fund (surplus) / Deficit	740	0	0	740	0
TOTAL Funding	**(17,211)**	**0**	**0**	**(17,211)**	**0**
Budget shortfall/(surplus)	**0**	**2,986**	**8,074**	**(122)**	**(122)**

1.3 As set out in paragraph 1.2 and Table ES1, the initial outturn forecast for the year is favourable with a surplus likely at the end of the financial year.

1.4 The revenue budget is likely to be under pressure over the next two years as the Council supports the Local Government Reorganisation (LGR) transition plan whilst ensuring services to residents continue to be delivered as normal. There will be a demand on key staff to support the assessment of final proposal and plan for a new unitary structure in Gloucestershire. Following the Government's decision in July for a single unitary authority in Gloucestershire, implementation activity is expected to accelerate, placing further demands on key staff and corporate resources.

1.5 Additional capacity will be needed to support the 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 the Capacity Building earmarked reserves at year end, subject to the final outturn position.

1.6 The material forecast variations are listed below with further details in Annex A-1 of this report.

D01: Governance

- Democratic Services – LGPS Employer Pension Contributions. Opt-in requests have been lower than budgeted (provision was made for all members) resulting in forecast underspend of £49k.

D02 Resources

- Commercial Property rental income and vacant property costs (£49k net adverse variation)
- Car Parks net income from car park fees, fines and permit above budget (£370k), EVCP income (£30k)

D03: Communities and Place

- Development Management, net overspend on salary costs (agency staff costs higher than vacant post budget savings) offset by £200k additional planning fee income (£119k net additional income)

- Planning & Infrastructure – net overspend on salary costs (agency staff costs higher than vacant post budget savings) and an underachievement of vacancy factor (£177k net overspend).
- CIL (£65k net underspend)
- Climate Change (£45k net underspend
- Waste & Recycling (Ubico) (£171k overspend)
- Forecast income variations – underachievement: Land Charges (£23k)

D04: Chief Executive

- Chief Executive's Officer – underachievement of vacancy factor (£31k overspend)

D05: Non-Service Expenditure, Funding

- Treasury Management and interest receivable performance (£83k positive variation).

1.7 The 2026/27 pay award was agreed on 24 September 2026. Although the National Employers' offer of 3.3% had initially been rejected by the recognised trade unions, the pay award offer of 3.3% has been accepted. A 3% assumption was included in the 2026/27 budget and MTFS. Chief officers pay awards were confirmed in June 2026 at 3.3%. The settlement at this level is broadly in line with the assumptions included within the budget and MTFS.

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

Table ES3 – Capital Programme Outturn Forecast

Capital Programme	2026/27 OB (£'000)	Slippage From 2025/26 (£'000)	2026/27 Schemes approved in year (£'000)	2025/26 LAB (£'000)	2025/26 Actuals to Q1 (£'000)	2026/27 Outturn (£'000)	2026/27 Outturn Variance (£'000)
Leisure & Communities	1,451	6	27	1,484	0	1,484	0
Strategic Housing	1,839	237	0	2,076	459	1,856	(220)
Environment	6,349	353	0	6,702	54	6,741	39
ICT, Change and Customer Services	350	0	0	350	0	150	(200)
UK Rural Prosperity Fund	0	8	0	8	8	8	0
UK Shared Prosperity Fund Projects	0	34	0	34	26	34	0
Assets and Property	500	200	0	700	0	700	0
TOTAL Capital Programme	**10,489**	**838**	**27**	**11,354**	**547**	**10,973**	**(381)**

1.9 The capital programme is a forecast underspend of £0.381m. Further details are provided in Section 4 of this report.

1.10 This report includes a recommendation for members to approve an increase of £27,000 to the Capital Programme for the installation of pool covers at Bourton on the Water and Chipping Campden Leisure Centres, to be funded from the remaining balance of the Community Municipal Investment. Further detail included in **Annex A-2.**

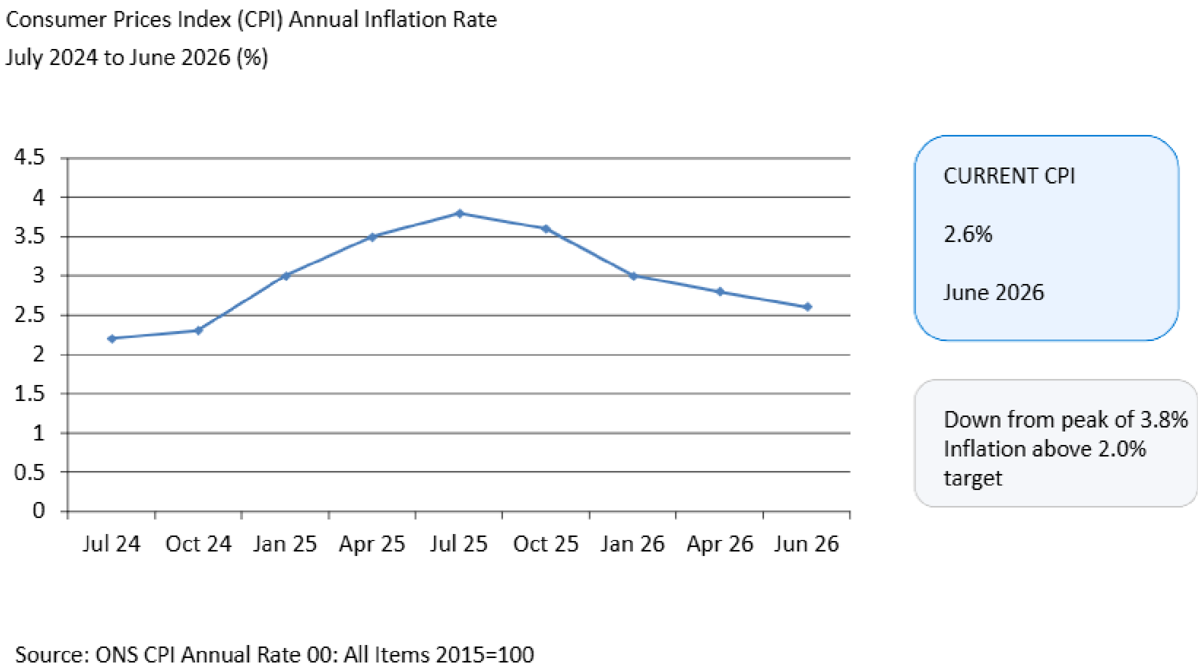
1.11 Financial Performance reports will be presented to members at the January 2027 and March 2027 Cabinet meeting with the outturn position likely to be finalised for the July 2027 Cabinet meeting.

2. EXTERNAL ECONOMIC ENVIRONMENT

Inflationary Pressures

2.1 The level of inflation, as measured by the Consumer Prices Index, for June 2026 fell to 2.6% (from 2.8% in May 2026). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 4.3%, unchanged from May 2026. Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) fell to 2.6%, unchanged from May 2026. Inflation data for July is due for release on 19 August 2026.

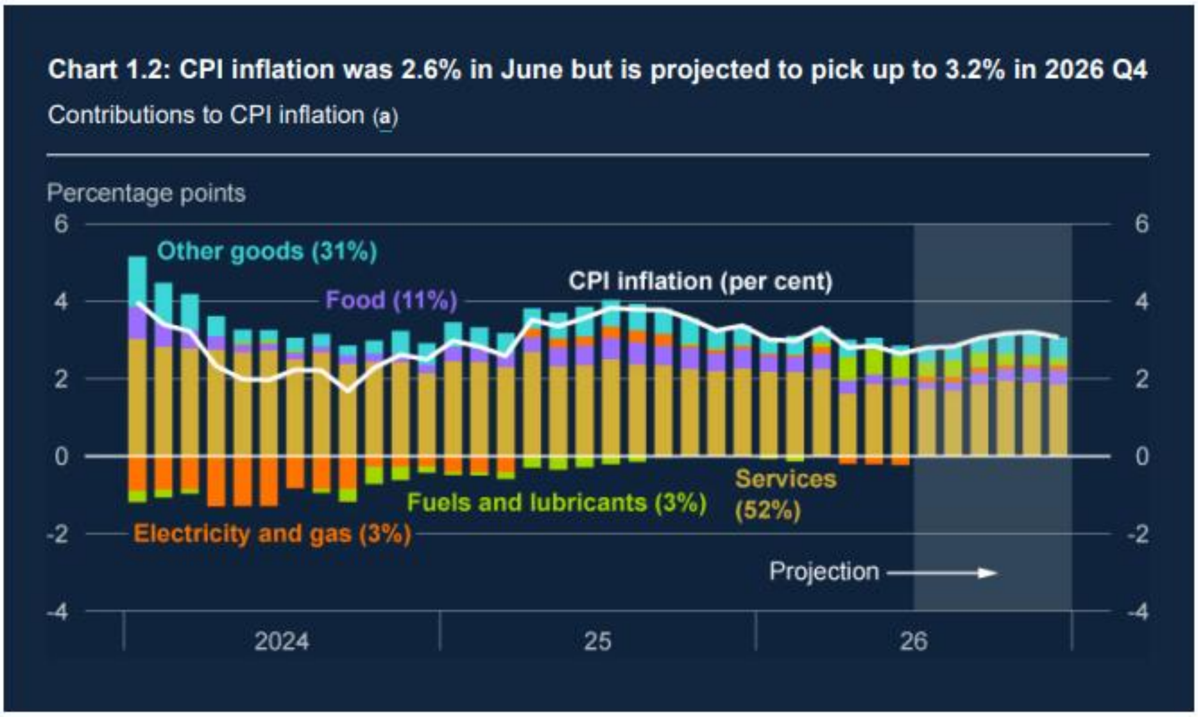
Graph A – CPI Inflation



2.2 Whilst the inflation outlook has improved significantly from the peaks experienced in recent years, continued volatility in global energy markets, labour costs and wider geopolitical factors means that inflationary risks remain. The Council will therefore continue to monitor economic conditions closely given the potential impact on pay awards, contract inflation and service delivery costs.

2.3 The Bank of England's Monetary Policy Committee (MPC) considers that underlying inflationary pressures continue to moderate, supported by a loosening labour market and weaker economic growth. However, the MPC expects CPI inflation to rise temporarily during the second half of 2026, primarily reflecting the pass-through of higher energy prices. While the medium-term outlook remains consistent with inflation returning sustainably towards the 2% target, the Bank continues to highlight upside risks arising from energy market volatility and wider geopolitical developments.

Graph B – Bank of England Chart - Inflation *Source: Bank of England, Monetary Policy Report, July 2026, Chart 1.2.*



Interest Rates

2.4 Bank Rate has remained at 3.75% since December 2025, with the MPC maintaining a cautious approach in response to ongoing inflation risks. Although underlying inflation has moderated, the Bank expects a temporary increase in inflation over the remainder of 2026 and has therefore retained a restrictive monetary policy stance. This suggests that interest rates are likely to remain elevated relative to historic norms in the near term, continuing to affect borrowing costs for both households and organisations.

2.5 The council's treasury management advisors central forecast is that Bank Rate will remain at 3.75% in the near term. However, the outlook remains highly uncertain and is dependent on developments in the Middle East, particularly whether the Strait of Hormuz remains open and the extent of any disruption to global energy infrastructure. These factors could significantly influence inflationary pressures and the future path of interest rates.

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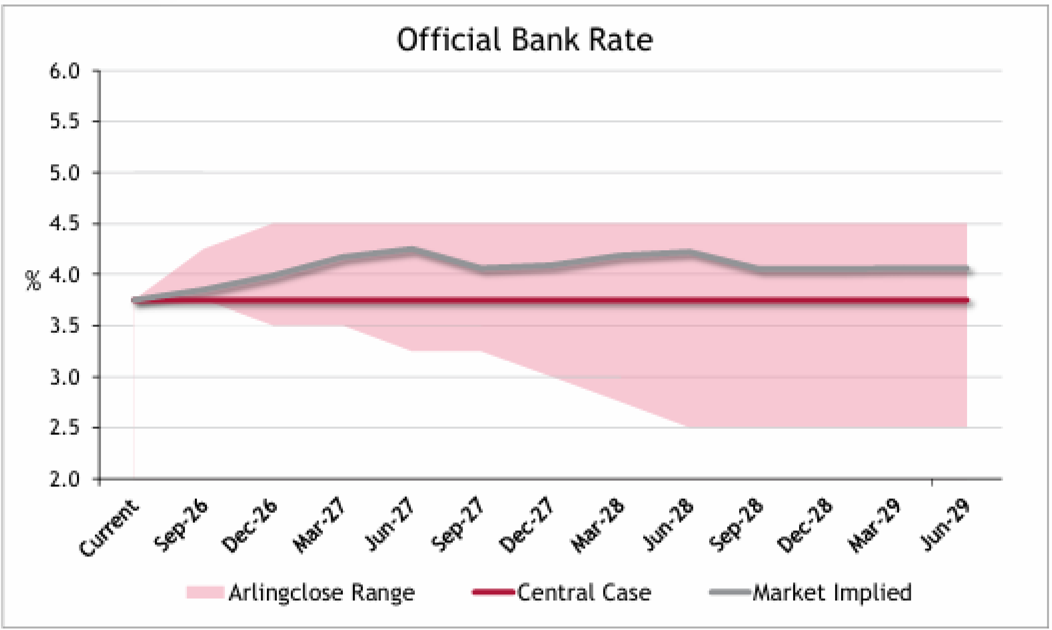
Graph C – Interest Rate Forecast (July 2026)



3. 2026/27 REVENUE BUDGET FORECAST

3.1 The Revenue Budget was approved by Council at their meeting on 23 February 2026. No adjustments made during the financial year to date.

Table 1 – Revenue Budget reconciliation

Budget Item	(£'000)
Original Budget (Council, 23 February 2026)	17,211
Adj:	
Adj:	
Adj:	
Adj:	
Latest Budget	**17,211**

3.2 As of 30 June 2026 (Q1) the Council's net expenditure (excluding Funding and Parish Precepts) was £2.053m against the profiled budget of £2.992m.

3.3 The outturn forecast for 2026/27 is an underspend of £0.122m. **Annex A-1** provides members with detailed analysis of the revenue budget outturn forecast, material variations, and an analysis of cross-cutting service financial performance on vacancy management and income streams.

Table 2 – Revenue Budget Outturn Forecast Summary

Revenue Budget	2026/27 Latest Net Budget (£'000)	2026/27 Profiled Budget to Q1 (£'000)	2026/27 Actuals to Q1 (£'000)	2026/27 Outturn Forecast (£'000)	2026/27 Outturn Variance (£'000)
D01: Governance	3,352	966	907	3,327	(25)
D02: Resources	3,327	705	339	3,041	(287)
D03: Communities and Place	11,745	1,301	954	11,846	101
D04: Chief Executive	922	268	282	953	31
Subtotal Services	**19,346**	**3,240**	**2,482**	**19,167**	**(179)**
Less: Reversal of accounting adjustments	(2,164)	0	0	(2,164)	0
Revised Subtotal Services	**17,182**	**3,240**	**2,482**	**17,003**	**(179)**
Corporate Income & Expenditure	1,274	(248)	(429)	1,442	169
Subtotal Non-Service Expenditure	**18,456**	**2,992**	**2,053**	**18,446**	**(10)**
Net Budget Requirement	**18,456**	**2,992**	**2,053**	**18,446**	**(10)**
Less: Funding from Earmarked Reserves	(1,245)	0	0	(1,357)	(112)
Net Revenue Budget to be financed	**17,211**	**2,992**	**2,053**	**17,089**	**(122)**
Funded by:					
Council Tax	(7,420)	0	0	(7,420)	0
Retained Business Rates	(1,433)	4,949	5,345	(1,433)	0
Revenue Support Grant (RSG)	(5,818)	(1,571)	(1,571)	(5,818)	0
Government Funding - Grants	(1,558)	0	0	(1,558)	0
Extended Producer Responsibility (EPR)	(1,721)	(461)	(461)	(1,721)	0
Collection Fund (surplus) / Deficit	740	0	0	740	0
TOTAL Funding	**(17,211)**	**2,917**	**3,313**	**(17,211)**	**0**
Budget shortfall/(surplus)	**0**	**5,909**	**5,366**	**(122)**	**(122)**

4. CAPITAL PROGRAMME

4.1 Council approved the Capital Programme for 2026/27 at their meeting on 23 February 2026. The Capital Programme has been updated to reflect adjustments as set out in Table 3 below and was approved by Cabinet in July 2026.

4.2 The capital programme for 2026/27 is £11.354m with a total net spend at £0.547m as at 30 June 2026.

Table 3 – Capital Programme budget reconciliation

Capital Programme Reconciliation	2026/27 (£'000)
Original Budget (Council, 23 February 2026)	10,489
Slippage from 2025/26	838
Proposed change (Cabinet, September 2026)	27
	11,354

Table 4 – Capital Programme Outturn Forecast

Capital Programme	2026/27 OB (£'000)	Slippage From 2025/26 (£'000)	2026/27 Schemes approved in year (£'000)	2025/26 LAB (£'000)	2025/26 Actuals to Q1 (£'000)	2026/27 Outturn (£'000)	2026/27 Outturn Variance (£'000)
Leisure & Communities	1,451	6	27	1,484	0	1,484	0
Strategic Housing	1,839	237	0	2,076	459	1,856	(220)
Environment	6,349	353	0	6,702	54	6,741	39
ICT, Change and Customer Services	350	0	0	350	0	150	(200)
UK Rural Prosperity Fund	0	8	0	8	8	8	0
UK Shared Prosperity Fund Projects	0	34	0	34	26	34	0
Assets and Property	500	200	0	700	0	700	0
TOTAL Capital Programme	**10,489**	**838**	**27**	**11,354**	**547**	**10,973**	**(381)**

4.3 The outturn forecast for the current year is an underspend of £0.381m. **Annex A-2** sets out the detailed forecast outturn with commentary from budget holders and is summarised in the table above.

4.4 Private Sector Housing Renewal (Disabled Facilities Grant) - The estimated expenditure for this year is £1.7m, this exceeds the funding currently available. The situation is being monitored closely. S151 Officers from across the district are aware, and in discussions with Gloucestershire County Council, as lead of the pooled arrangement for DFG, on how to manage the expected demands of the fund across the county council.

4.5 Purchase Orders have been raised and placed for new kerbside sort vehicles as part of the £6m Ubico fleet replacement programme, with a total value of £3.281m. The tender process for the electric recycling vehicle has not yet commenced, pending progress on the installation of EV charging infrastructure. The tender for the compact sweeper has also not yet commenced while operational trials are being completed and evaluated. The profiled expenditure for 2026/27 and 2027/28 will be reviewed as part of the 2027/28 budget-setting process.

4.6 The significant variations forecast on the Capital Programme are:

- **Bromford Joint Venture - (£0.220m)** 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.
- **Waste and Recycling Receptacles -** The rolling budget for the purchase of waste and recycling receptacles is forecast to overspend by £0.040m in 2026/27 (£0.046m 2025/26). This pressure reflects continued growth in the number of properties and an increase in replacement container requests. The unit pricing for all containers has also increased significantly in recent years, and this will need to be reflected in the budget in 2027/28. Benchmarking undertaken as part of a waste review identified that replacement rates are in line with the ranges set by the Waste and Resources Action Programme (WRAP). The overspend for 2026/27 will be funded from capital receipts.
- **Planning Document and Scanning Solution -** Planning service and ICT are scoping improvements to the IDOX system as part of a wider service transformation agenda to focus on delivering service efficiencies through ICT. No expenditure is anticipated in 2026/27, with the £0.200m budget provision expected to be required in a later year.

4.7 A recommendation included in the covering report includes a request for members to approve an increase of £27,000 to the Capital Programme for the installation of pool covers at Bourton on the Water and Chipping Campden Leisure Centres, to be funded from the remaining balance of the Community Municipal Investment. This would result in a total capital budget for 2026/27 of £11.354m as detailed in table 7 and 8 above. Further detail included in **Annex A-2.**

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

Capital Receipts and Disposals

4.9 There have been no disposals of assets during the first quarter of the financial year.

4.10 As members will be aware, Cabinet agreed at their meeting in June 2026 to actively market the out-of-district investment properties for disposal. Initial interest was received on Eign Gate, Hereford with officers progressing the disposal. It is likely that the disposal terms of sale will be finalised in early September.

4.11 In accordance with the Council's constitution, Cabinet are required to "Agree a property acquisition or disposal (other than following CPO) where the value is over £250,000 and up to £1,000,000." The Net Book Value (NBV) of the property as reported to Cabinet in June 2026 was £320,000. Offers were received in excess of the NBV but significantly below the threshold set out in the constitution where a Council decision is required to dispose (value exceeding £1,000,000).

4.12 Given the nature of the transaction and that contracts could be exchanged mid-September, it is recommended that authority is delegated to the Strategic Head of Housing, Property and Assets, Deputy Chief Executive and Section 151 Officer in consultation with the Cabinet Member for Finance to progress to disposal.

4.13 In terms of financial implications, a disposal would generate a net capital receipt that can be utilised as part of the financing of the capital programme. The Medium-Term Financial Strategy (February 2026) included a provision from 2027/28 for a reduction in commercial property income of £100,000. The disposal of the Hereford property would reduce the Council's commercial property income by £36,000 per annum.

Table 5 – Capital Financing Forecast

Capital Financing Statement	2026/27 OB (£'000)	Slippage From 2025/26 (£'000)	2026/27 Schemes approved in-year (£'000)	2026/27 LAB (£'000)	2026/27 Actuals to Q1 (£'000)	2026/27 Variance to Q1 (£'000)	2026/27 Forecast Outturn (£'000)	2026/27 Forecast Outturn Variance (£'000)
Capital receipts	4,308	564	0	4,872	54	(4,818)	4,437	(381)
Capital Grants and Contributions	2,640	209	0	2,849	493	(2,356)	2,356	0
Earmarked Reserves	1,829	0	0	1,829	0	(1,829)	1,829	0
Revenue Contribution to Capital Outlay (RCCO)	1,712	0	0	1,712	0	(1,712)	1,712	0
Community Municipal Investments (CMI)	0	65	27	92	0	(92)	92	0
Prudential Borrowing	0	0	0	0	0	0	0	0
	10,489	**838**	**27**	**11,354**	**547**	**(10,807)**	**10,426**	**(381)**

4.14 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.

5. NON-TREASURY MANAGEMENT SUMMARY

5.1 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

5.2 The detailed Non-Treasury Management prudential indicators are included in **Annex A-3** with the commentary below providing members with a high-level summary.

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

6. LOCAL GOVERNMENT REORGANISATION

6.1 Council approved the 2026/27 Revenue Budget, Capital Programme and Medium Term Financial Strategy report at their meeting on 23 February 2026. The report included the recommendation that £2m is set aside in a new earmarked reserve Council Priority: LGR Transition through the releasing of £2m of the balance currently held in the Financial Resilience Reserve. This would provide the Council's share of funding towards the LGR Transition Programme.

6.2 As indicated in the February report, contributions into the programme costs (£21.285m 1UA proposal) were agreed on the following basis:

- 55% of the fund to be provided by Gloucestershire County Council (£11.707m)
- 45% of the fund to be provided by the six Gloucestershire district councils, each contributing an equal amount (£1.596m per district).

6.3 The Government confirmed the support for the single unitary authority proposal for Gloucestershire in their letter to Leaders and Chief Executives in July 2026.

6.4 Following the decision and taking into account the £0.900m funding from MHCLG, the profile of contributions has been reviewed and agreed by LGR Portfolio Board and the LGR Member Steering Group. An initial contribution equivalent to 25% of the currently agreed 2026/27 contribution (50% of the total £21.285m) for the financial year was proposed. This results in revised contributions of £1.464m from Gloucestershire County Council, £0.200m from the district councils. It was also agreed that due to the Exceptional Financial Support circumstances at Gloucester City Council, their contribution has been deferred until Q4 2027/28.

6.5 The remaining contributions would be subject to a future Portfolio Board decision following development of the implementation plan and budget.

6.6 Gloucestershire County Council, as the accountable body, are finalising the recharging process so that the 50% share of Programme Lead costs can be invoiced by councils and reimbursed from the LGR Transition Programme budget.

6.7 As per the most recent budget monitoring report on the LGR Transition budget to Member Steering Group,

7. RISKS AND UNCERTAINTIES

7.1 The report outlines several risks and uncertainties around the wider economic environment.

7.2 Development Management fee income has continued the trend from 2025/26 with a significant increase in applications and fee income. There remains a risk that a proportion of the planning applications received may result in planning decision appeals (given the more speculative applications lodged ahead of the Council's updated Local Plan being adopted in 2027). Therefore, it is prudent to set aside potential additional income against planning appeals costs. This will be reviewed during the financial year, with consideration also given to the financing of additional capacity and local plan costs.

7.3 Income may not continue to hold up as strongly in areas such as planning and car parking as it has done during quarter 1, which could have an adverse impact on the forecast outturn position.

7.4 Private Sector Housing Renewal (Disabled Facilities Grant) - The estimated expenditure for this year is £1.7m and exceeds the funding currently available. The situation is being monitored closely.

7.5 Vacancy management may improve the financial position through staff turnover and delayed recruitment. However, given the LGR context, difficulties in filling vacant posts could lead to increased reliance on agency staff and higher associated costs

7.6 Ongoing inflationary pressures remain a risk to the Council's revenue budget, particularly in relation to employee pay awards, energy costs, contracted services, insurance premiums and other operational expenditure. Whilst provision has been made within the MTFS for anticipated inflationary increases, there remains a risk that actual cost increases exceed budget assumptions. The Council will continue to monitor inflation trends and budget performance closely, taking corrective action where necessary to mitigate any adverse impact on the Council's financial sustainability.

8. CONCLUSIONS

8.1 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.

8.2 Officers will continue to challenge and support Ubico with the expectation that the service should be delivered within the contract sum and the forecast overspend should be mitigated through compensating management action across the wider contract.

8.3 The Council's revenue budget is likely to face additional pressures during 2026/27 and 2027/28 as preparations for Local Government Reorganisation (LGR) progress, while ensuring that services to residents continue to be delivered as normal.

8.4 This monitoring report presents an update on the Council's financial position. As the report sets out, an underspend of £0.122m is forecast for the financial year which will result in a transfer to the Capacity Building Reserve at year end in order to fund capacity in preparation for LGR.