

							Appendix 1
Finance & Assets Committee - Budget Monitoring Report - 31st December 2025							
Revenue	Total Budget 2025-26	Profiled Budget to 31 Dec 2025	Actual to 31 Dec 2025	Variance	Forecast Outturn	Variance between Total Budget & Projected Outturn	Variance between Total Budget & Projected Outturn Sept 2025
					£		
	£	£	£	£	£		£
Asset Management	153,442	--	56,773	56,773	153,442		
Award Ditches	11,468	8,601	8,890	289	11,468		
Civic Relations	18,721	14,044	7,281	(6,763)	18,721		
Climate Change	100,000	73,483	18,915	(54,568)	100,000		
Closed Churchyards	37,777	28,333	39,085	10,752	37,777		
Community Safety	--	--	1,000	1,000	--		
Community Transport	15,000	--	--	--	15,000		
Corp.Man.Policy Research / Review	245,497	47,914	(156,759)	(204,673)	245,497		
Cost of Other Elections	--	--	59,101	59,101	--		
Council Tax Collection costs	614,713	460,579	456,571	(4,008)	614,713		
Crematorium		--	11,439	11,439	11,439	11,439	
Data Management	175,648	131,763	137,633	5,870	175,648		
Depot	(76,499)	(41,484)	(41,484)	--	(76,499)		
Economic Development	32,486	85,706	207,375	121,669	32,486		
Enterprise Zone Business Rates	610,816	--	--	--	610,816		
Finance	359,950	239,090	243,393	4,303	359,950		
General Gang	99,947	75,212	47,489	(27,723)	70,947	(29,000)	(20,000)
Health & Safety (Work)	28,784	21,588	21,965	377	28,784		
Housing Benefits	518,819	389,114	940,306	551,192	472,819	(46,000)	(24,000)
Housing Strategic	207,243	75,131	494,373	419,242	175,243	(32,000)	(32,000)
Human Resources (including Training)	287,498	239,926	240,231	305	287,498		
Information Technology	1,136,674	1,069,993	982,547	(87,446)	1,136,674		
Interest & Financial Transactions	(994,055)	(693,960)	(1,168,159)	(474,199)	(1,465,334)	(471,279)	(200,000)
Internal Audit	88,568	45,022	43,507	(1,515)	88,568		
Land Charges Admin	(29,917)	(32,550)	(60,969)	(28,419)	(29,917)		
Legal Services	189,832	142,374	80,819	(61,555)	124,832	(65,000)	(46,000)
Local Elections	25,000	18,750	(59,722)	(78,472)	25,000		
Strategic Plans	229,069	163,852	11,714	(152,138)	229,069		
Management Team	725,349	572,744	616,913	44,169	725,349		
Ely Markets	--	(48,149)	(48,149)	--	--		
Member & Committee Support	711,686	533,817	468,060	(65,757)	651,686	(60,000)	(30,000)
Miscellaneous Properties	(47,367)	(23,387)	(31,807)	(8,420)	(47,367)		
Misc Finance	556,098	607,457	(163,435)	(770,892)	455,776	(100,322)	

							Appendix 1
Finance & Assets Committee - Budget Monitoring Report - 31st December 2025							
Revenue	Total Budget 2025-26	Profiled Budget to 31 Dec 2025	Actual to 31 Dec 2025	Variance	Forecast Outturn	Variance between Total Budget & Projected Outturn	Variance between Total Budget & Projected Outturn Sept 2025
	£	£	£	£	£		£
NNDR Collection Costs	61,973	123,323	121,029	(2,294)	61,973		
Office Accommodation	618,884	532,753	545,345	12,592	618,884		
Out Of Hours call out Service	14,000	10,500	6,827	(3,673)	14,000		
Parking Of Vehicles	47,544	70,306	(12,966)	(83,272)	47,544		
Parks And Gardens Team	509,711	612,527	499,669	(112,858)	509,711		
Payroll	133,939	104,287	128,686	24,399	149,939	16,000	16,000
Public Conveniences	213,197	159,495	183,435	23,940	227,197	14,000	14,000
Refuse Collection	--	4,886	4,886	--	--		
Registration of Electors	50,644	33,483	20,028	(13,455)	50,644		
Reprographics	159,263	119,497	135,828	16,331	159,263		
Sport & Recreation Admin	127,652	73,706	56,225	(17,481)	127,652		
Finance & Assets Committee Total	7,969,054	6,049,726	5,153,888	(895,838)	7,206,892	(762,162)	(322,000)
Operational Services Committee	6,842,567	5,149,450	1,346,710	(3,802,740)	6,613,567	(229,000)	(382,000)
Other Spend							
Parish Precepts	3,596,232	3,596,232	3,586,232	(10,000)	3,596,232		(10,000)
Internal Drainage Boards	801,368	601,026	629,361	28,335	638,368	(163,000)	(163,000)
Movement in Corporate Reserves	40,162	--	--	--	40,162		
Revenue Budget Total	19,249,383	15,396,434	10,716,191	(4,680,243)	18,095,221	(1,154,162)	(877,000)
Funding							
Council Tax	(8,310,874)	(4,155,437)	--	4,155,437	(8,310,874)		10,000
Revenue Support Grant	(125,690)	(94,268)	(84,212)	10,056	(125,690)	--	--
Business Rates	(7,647,071)	(3,976,239)	--	3,976,239	(7,764,071)	(117,000)	(117,000)
Other Government Grants (NHB / RSG etc)	(1,352,853)	(1,014,640)	(1,014,640)	--	(1,352,853)	--	--
Budgeted draw from Surplus Savings Res	(1,812,895)	(906,447)	--	906,447	(1,812,895)	--	--
	(19,249,383)	(10,147,031)	(1,098,852)	9,048,179	(19,366,383)	(117,000)	(107,000)
Revenue Total	--	5,249,403	9,617,339	4,367,936	(1,271,162)	(1,271,162)	(984,000)

Operational Services Committee - Budget Monitoring Report - 31 December 2025

Revenue	Total Budget 2025-26	Profiled Budget to 31 Dec 2025	Actual to 31 Dec 2025	Variance	Forecast Outturn	Variance between Total Budget & Projected	Variance between Total Budget & Projected
	£	£	£	£	£		£
Building Regulations	36,436	10,771	78,237	67,466	126,436	90,000	50,000
CIL	-.-	-.-	(3,321,434)	(3,321,434)	-.-		
Community Projects & Grants	206,095	90,790	160,775	69,985	206,095		
Community Safety	64,358	86,504	86,203	(301)	64,358		
Cons. Area & Listed Buildings	74,808	56,106	60,611	4,505	74,808		
Crematorium	-.-	-.-	-.-		-.-		
Customer Services	665,279	522,379	484,782	(37,597)	640,279	(25,000)	
Dog Warden Scheme	50,553	37,984	26,861	(11,123)	50,553		
Emergency Planning	32,148	25,640	31,601	5,961	32,148		
Environmental	52,087	39,065	38,549	(516)	52,087		
Environmental Health	620,980	467,171	433,883	(33,288)	620,980		
Care & Repair	(98,842)	(107,611)	146,480	254,091	(98,842)		
Homelessness	326,611	(8,943)	13,742	22,685	326,611		
Leisure Centre	(502,043)	11,000	12,150	1,150	(502,043)		
Licencing	26,040	19,530	(360,165)	(379,695)	(123,960)	(150,000)	(100,000)
Marketing & Grants	34,266	18,708	(4,617)	(23,325)	34,266		
Parish Forums	1,561	1,171	-.-	(1,171)	1,561		
Nuisances	115,533	86,650	84,333	(2,317)	115,533		
Pest Control	-.-	-.-	-.-	-.-	-.-		
Planning	395,659	243,038	(13,793)	(256,831)	251,659	(144,000)	(332,000)
Public Relations	124,682	93,512	93,891	379	124,682		
Recycling	1,649,812	1,209,580	1,177,583	(31,997)	1,649,812		
Refuse Collection	1,850,473	1,387,855	1,278,315	(109,540)	1,850,473		
Street Cleansing	1,082,792	812,094	812,479	385	1,082,792		
Street Naming & Numbering	33,279	19,996	10,221	(9,775)	33,279		
Travellers Sites	-.-	26,460	16,023	(10,437)	-.-		
			-.-				
Revenue Total	6,842,567	5,149,450	1,346,710	(3,802,740)	6,613,567	(229,000)	(382,000)

Capital Monitoring 2025/26

Capital	Published Budget 2025-26 £	Slippage from 2024-25 £	Additions £	Revised Budget 2025-26 £	Actual at 31 Dec 2025 £	Forecast Outturn £	Variance between Revised Budget & Forecast Outturn £
<u>OPERATIONAL SERVICES</u>							
Conservation Area Schemes - 2nd round		27,506		27,506		27,506	0
Refuse & Cleansing Vehicles	1,964,000	623,620		2,587,620	424,521	2,587,620	0
Waste - Wheelied Bins	1,040,000			1,040,000	54,336	1,040,000	0
Food Waste Caddies	280,256			280,256		280,256	0
Mandatory Disabled Facilities Grants	697,299	520,505		1,217,804	632,564	1,217,804	0
Empty Properties, Discretionary DFGs, Minor Works, Home Repair Asst.	75,000			75,000	29,725	75,000	0
Vehicle Etc. Replacements	100,000			100,000	100,000	100,000	0
Bereavement Centre	7,560,223	1,342	2,197,397	9,758,962	2,599,175	9,758,962	0
Leisure Centre				0			0
Operational Services Total	11,716,778	1,172,973	2,197,397	15,087,148	3,840,321	15,087,148	
<u>FINANCE & ASSETS</u>							
Solar Panels on Council Buildings		100,100		100,100		100,100	0
Depot		280,833		280,833		280,833	0
New Loan Agreement with ECTC	1,500,000			1,500,000	2,575,000	2,700,000	1,200,000
Finance & Assets Total	1,500,000	380,933	0	1,880,933	2,575,000	3,080,933	1,200,000
Total	13,216,778	1,553,906	2,197,397	16,968,081	6,415,321	18,168,081	1,200,000

SOURCES OF FINANCING	Published Budget 2025-26 £	Slippage from 2024-25 £	Additions £	Revised Budget 2025-26 £
Operational Services				
Government Grants (DFG)	602,678	520,505		1,123,183
Government Grants (Food Waste)	894,056	0		894,056
Capital Receipts	209,621	27,506		237,127
Borrowing	1,850,200	623,620		2,473,820
Section 106 / CIL	8,160,223	1,342	2,197,397	10,358,962
Operational Services Total	11,716,778	1,172,973	2,197,397	15,087,148
Finance & Assets				
Revenue Contributions	0	0		0
Capital Receipts	0	100,100		100,100
Borrowing	1,500,000	280,833		1,780,833
Finance & Assets Total	1,500,000	380,933	0	1,880,933
Capital Funding Total	13,216,778	1,553,906	2,197,397	16,968,081

Forecast Outturn £	Variances £
1,123,183	
894,056	
237,127	
2,473,820	
10,358,962	
15,087,148	0
0	
100,100	
2,980,833	1,200,000
3,080,933	1,200,000
18,168,081	1,200,000

Capital Resources Forecast	Published Budget 2025-26 £	Slippage from 2024-25 £	Additions £	Revised Budget 2025-26 £
Balance Brought Forward	1,498,475	260,173		1,758,648
Add receipts from Sales of Assets	50,000			50,000
Less Capital Receipts Applied	(209,621)	(127,606)		(337,227)
Capital Reserves Carried Forward	1,338,854	132,567	0	1,471,421

Forecast Outturn £	Variances £
1,758,648	
50,000	
(337,227)	0
1,471,421	0

Borrowing	Published Budget 2025-26 £	Slippage from 2024-25 £	Additions £	Revised Budget 2025-26 £
Balance Brought Forward	10,276,638	(79,453)		10,197,185
Less MRP Applied	(685,622)		100,322	(585,300)
Repayment from ECTC	(1,900,000)			(1,900,000)
Add additional Borrowing Applied	3,350,200	904,453		4,254,653
Borrowing Carried Forward	11,041,216	825,000	100,322	11,966,538

Forecast Outturn £	Variances £
10,197,185	
(585,300)	
(2,605,000)	(705,000)
5,454,653	1,200,000
12,461,538	495,000

Reserve Accounts

Description	2025/26			
	Opening Balance 1	Transfers to	Contributions from	Forecast
	April	Reserve	Reserve	Balance 31
	£	£	£	March
District Elections	50,397	25,000		75,397
Housing Conditions Survey	35,000	5,000		40,000
Change Management	0			0
Major Project Development	100,000			100,000
Surplus Savings Reserve	10,229,244	1,271,162	(1,812,895)	9,687,511
Vehicle Replacements	74,240			74,240
Sports Facilities Funding Reserve	58,000			58,000
IT	160,000	60,000	(73,345)	146,655
CIL Admin	206,621	70,000	(100,000)	176,621
Asset Management	96,441			96,441
Community Fund Reserves	18,207			18,207
Housing	69,926			69,926
Historical Homelessness Grant	742,431		(143,268)	599,163
Affordable Housing	97,526			97,526
General Fund Balance	1,385,852	40,162		1,426,014
Commercial Invest to Save	20,000			20,000
CLT Grant Applications	20,000			20,000
Travellers' Sites	0	35,722		35,722
Enterprise Zone NNDR	1,234,540	305,408	(83,249)	1,456,699
Growth and Infrastructure Fund	2,522,015			2,522,015
Exceptional Hardship Fund	6,939			6,939
Community Transport	125,281			125,281
Climate Change	88,229			88,229
Other				
CIL	12,947,370	400,000	(9,758,962)	3,588,408
Section 106 Agreements	4,722,039		(500,000)	4,222,039
Internal Borrowing	(10,197,185)	(5,454,653)	3,190,300	(12,461,538)
Total Reserves	24,813,113	(3,242,199)	(9,281,419)	12,289,495

Total Reserves	17,340,889	1,812,454	(2,212,757)	16,940,586
General Fund	1,385,852	40,162	0	1,426,014
Earmarked Reserves	15,955,037	1,772,292	(2,212,757)	15,514,572

CIL treated as Reserve for SoA	12,947,370	400,000	(9,758,962)	3,588,408
Reserve for SoA	30,288,259	2,212,454	(11,971,719)	20,528,994

Increase / (decrease) in Reserves **(9,759,265)**

Treasury Management Update

Quarterly Report

31ST DECEMBER 2025

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Treasury Management Update

Quarter Ended 31st December 2025

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1. Economics update

- The third quarter of 2025/26 saw:
 - A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April.
 - The 3myy rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year.
 - CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
 - The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
 - The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern (0.1% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK rose from 51.2 in November to 52.1 in December, suggesting the economy may be benefitting somewhat from pre-Budget uncertainty fading. This may also reflect a diminishing drag from weak overseas demand. While the services PMI rose from 51.3 to 52.1, the improvement in the manufacturing output balance from 50.3 to 51.8 was larger. Indeed, the manufacturing sector has been more exposed to the recent weakness of external demand and has lagged the services sector since the end of last year.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. Nonetheless, the 0.1% m/m fall in retail sales volumes in November built on the 0.9% m/m drop in October, suggesting the longer-lasting effects of weak employment and slowing wage growth are impacting. Moreover, the decline in the GfK measure of consumer confidence from -17 in October to -19 in November suggests that consumers are not that optimistic at present.
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.
- After the Budget, public net sector borrowing of £11.7bn in November was comfortably below last November's figure of £13.6bn and was the lowest November borrowing figure since 2021, mainly due to tax receipts being £5.4bn higher, largely because of the hike in employer NICs in April 2025. Cumulative borrowing in the first eight months of 2025/26 was still £10bn above last year's total. However, lower inflation and a disposal of assets ahead of the Budget should mean borrowing in 2025/26 comes in below last year's total.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, the 38,000 fall in payroll employment in November was the tenth monthly decline in the past 13 months, causing the annual growth rate to slow further, from -0.5% to -0.6%. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022) but the less reliable Labour Force Survey data showed that employment fell by 16,000 in the three months to October, with the unemployment rate rising further, from 5.0% to 5.1%. All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The 3myy growth rate of average earnings including bonuses eased from 4.9% in September to 4.7% in October. And excluding bonuses, the 3myy rate slowed from 4.7% to 4.6%. Regular private sector pay growth continued to slow from 4.2% to 3.9%. That left it broadly on track to meet the Bank's end of December prediction of 3.5%.
- CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to a high of c4.8%, before ending June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although, subsequently, gilt yields fell back after the Budget, supported by a tighter fiscal plan, fewer tax hikes required following a smaller-than-expected downgrade to the OBR's fiscal forecast, and a favourable shift in bond issuance away from long-dated debt. Gilt yields hovered around 4.5% at the end of the quarter.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further significant jump in value. The stock market hit new record highs above 9,900 in Mid-November, driven by a global rebound on hopes of a US government-shutdown resolution, expectations of a December

rate-cut, and strong corporate earnings. Despite some jitters around Budget time, the FTSE 100 closed Q4 at 9,931, 5% higher than at the end of September and 22% higher since the start of 2025.

MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

2. Interest rate forecasts

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts and commentary on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- *Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.*
- *Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.*

- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a “gradual downward path”, suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be “a closer call”, and Governor Bailey observed there is “limited space as Bank Rate approaches a neutral level”.
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed’s monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a “given”, and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 22.12.25 p.m. %	Target borrowing rate now (end of Q4 2027) %	Target borrowing rate previous (end of Q4 2027) %
5 years	4.81	4.10	4.20
10 years	5.39	4.70	4.70
25 years	6.01	5.30	5.30
50 years	5.78	5.10	5.10

Borrowing advice: Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested **budgeted earnings rates for investments** up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now %	Previously %
2025/26 (residual)	3.80	3.90
2026/27	3.40	3.60
2027/28	3.30	3.30
2028/29	3.30	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad-hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council on 25th February 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seeking out value available in periods up to 12 months with high credit rated financial institutions, using the MUFG Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the charts below and the interest rate forecasts in section 2, investment rates have started to taper downwards during the final quarter of 2025 and are expected to fall back further if inflation falls through 2026 and the MPC loosens monetary policy further.

Creditworthiness.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function OR *insert any changes to the criteria you wish to make, with supporting criteria.*

CDS prices

For UK and international banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return.

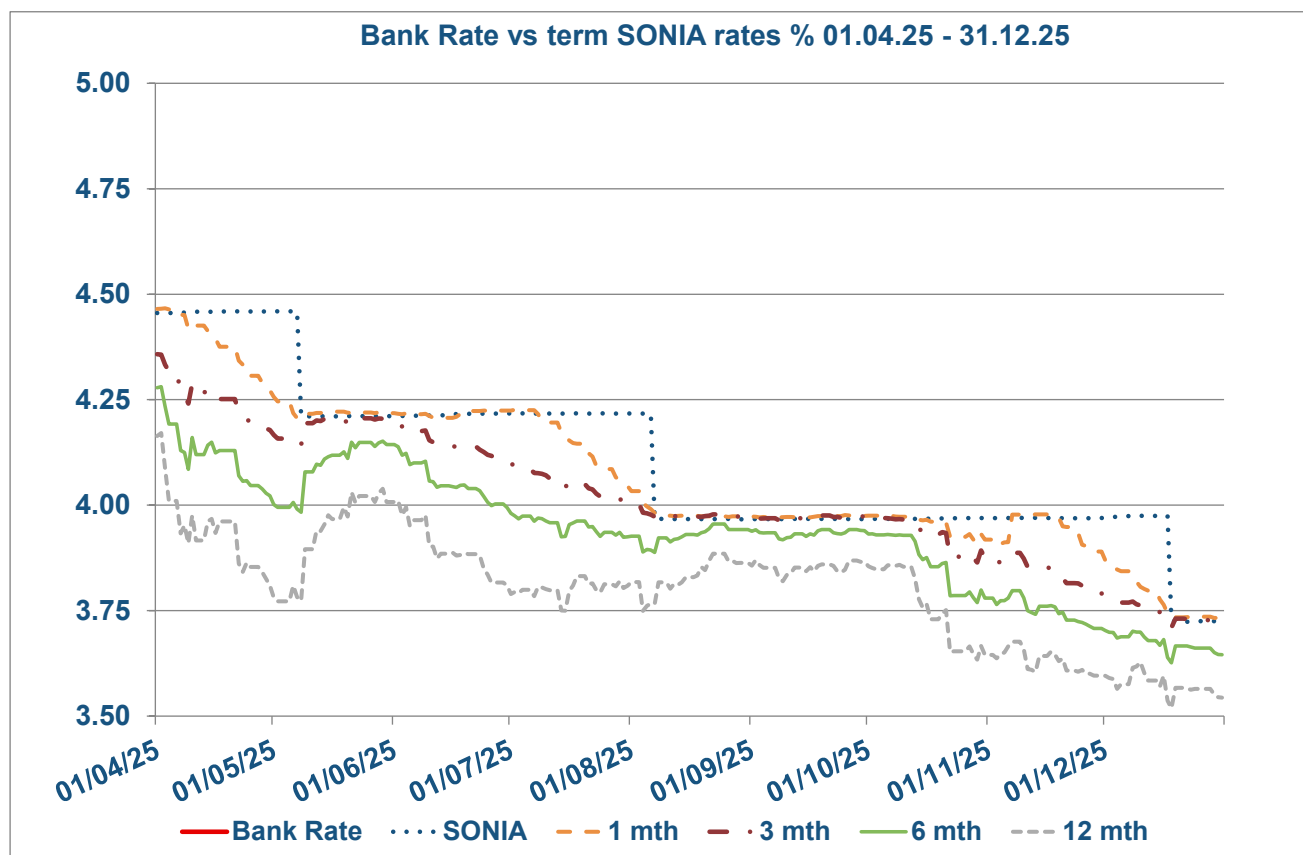
Investment balances

The average level of funds available for investment purposes varied during the quarter/year. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of Council Tax and Business rate receipts, precept payments, receipt of grants and progress on the capital programme.

As highlighted previously, we are now using the Sterling Overnight Index Averages. There is a choice of using the forward looking (term) benchmarks and the backward-looking benchmarks.

The forward-looking benchmark reflects where the market has moved to over time, whereas the backward-looking benchmark reflects where the market was positioned when investments were placed.

Investment performance 01.04.25 to 31.12.25



FINANCIAL YEAR TO QUARTER ENDED 31.12.25

	SONIA	1 mth	3 mth	6 mth	12 mth
High	4.46	4.47	4.36	4.28	4.17
High Date	07/05/2025	03/04/2025	01/04/2025	02/04/2025	02/04/2025
Low	3.72	3.73	3.71	3.63	3.52
Low Date	22/12/2025	29/12/2025	18/12/2025	18/12/2025	18/12/2025
Average	4.10	4.07	4.01	3.93	3.80
Spread	0.74	0.73	0.65	0.66	0.65

The Council's budgeted investment return for 2025/26 is £0.929 million, and performance for the year to date is £1.284 million above budget. We therefore now forecasting a yearend surplus on Treasury Investment of £471,279. The main reasons are efficient treasury management and interest rates staying higher for longer than prudently forecast.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31st December 2025.

Investments	Amount	Interest Rate %
MMF Aberdeen	£5,000,000	3.91
MMF Insight	£5,000,000	3.89
LGIM	£4,450,000	3.88
Standard Chartered	£6,000,000	3.96
Lloyds Bank	£5,000,000	4.25
National Bank Kuwait PLC	£6,000,000	4.02
SMBC	£6,000,000	4.10
NatWest (RFB)	£266,954	2.75
Total	£37,716,954	

* National Bank of Kuwait is a UK domicile bank.

4. Borrowing

No external borrowing has been undertaken during the first three quarters of 2025/26 and further, it is anticipated that no external borrowing will be undertaken during the remainder of the financial year.

5. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits, During the *quarter ended* 31st December 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices. *Alternatively provide details if there have been any breaches of indicators, other limits or procedures as specified in the TMPs.*

PPENDIX 1: Prudential and Treasury Indicators for 2025-26 as of 31st December 2025

Treasury Indicators	Actual 31 st March 2025 £'000	Actual 31 st December 2025 £'000
Authorised limit for external debt	10,000	8,000
Operational boundary for external debt	0	0
Gross external debt	0	0
Investments	32,288	37,727
Net borrowing	32,288	37,727

Prudential Indicators	Budget 2025/26 £'000	Yearend Forecast as at 31.12.2025 £'000
Capital Financing Requirement (CFR) - Brought Forward	10,277	10,197
Capital Expenditure Funded by borrowing	3,350	5,455
Minimum Revenue Provision & Repayment of Loan from ECTC	-2,586	-3,190
Net movement in CFR	764	2,265
Capital Financing Requirement (CFR)- Carried Forward	11,041	12,462