

TITLE: Finance Report

Committee: Finance & Assets Committee

Date: 24 September 2026

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Issue

1. This report provides Members with budget information for services under the Finance & Assets Committee and then, as part of its corporate remit, for the Council as a whole.

Recommendations

2. Members are requested to note:
 - The Committee is currently forecasting an underspend of £85,000 at year-end when compared to its approved revenue budget of £8,284,422.
 - The Council is forecasting an overall underspend of £199,000 at year-end when compared to its approved revenue budget of £21,585,345.
 - That the overall position for the Council on capital is an outturn of £13,787,601, which is an overspend of £289,021 when compared to the revised budget including slippage from 2025/26.
 - The Treasury Management update report in Appendix 5.

Background/Options

Budget Monitoring

3. Under Financial Regulations, each policy committee is required to consider projections of financial performance against both its revenue and capital budget on a quarterly basis, with this Committee further considering the overall Council position.
4. This is the first report for the 2026/27 financial year and details actual expenditure incurred and income received as of 30 June 2026, and projections as to the year-end position at this time.

Revenue

5. Appendix 1 details the overall revenue position for both this Committee and the Council overall. In Appendix 1, the budget lines under the stewardship of this

Committee and the funding lines are shown in detail, with the Operational Services Committee position shown in summary.

6. Appendix 2 shows the detailed revenue position for the Operational Services Committee. The Committee reported a net underspend of £114,000 against its approved budget for 2026/27. The most significant variances relate to Licensing (£100,000), Planning (£70,000), Emergency Planning (£16,000), and Building Regulations (£40,000). The Operational Services Committee received further details of these and other year-end variances on 14 September 2026.

Service	Variance	Explanation
Climate Change	(£63,533)	Grant income from the Combined Authority for biodiversity studies was received in advance of the associated expenditure. The unspent grant has therefore been rolled forward into 2026/27 to align the funding with the expected timing of expenditure.
Corporate Management Policy Research / Review	(£245,708)	Accruals relating to external audit fees for the previous financial year remain outstanding at Quarter 1. The associated invoices are expected to be settled during 2026/27.
Cost of Other Elections	£58,933	Expenditure incurred in relation to external elections will be fully recovered during 2026/27.
Economic Development	£16,603	Grant funding has been awarded for Digital Inclusion initiatives in 2026/27. The associated funding from the CPCA is currently awaited and is expected to be received during the financial year.
Enterprise Zone	(£64,408)	The favourable variance is due to payments being made later than originally anticipated. This is a timing difference.
Housing Benefits	(£823,879)	The current variance reflects the profile of expenditure based on calculations from the 2025/26 return. The profile is expected to catch up later in the financial year and does not represent an underlying budget pressure.
Housing Strategy	£390,648	Section 106 expenditure will be transferred to the relevant reserve at the end of the financial year.
Information Technology	£269,285	The budget has been profiled evenly across the financial year; however, prepayments for IT licences were made earlier than anticipated, resulting in an adverse variance against the current profile.

Land Charges Administration	(£37,986)	The MHCLG grant has been rolled forward into 2026/27, with the funding remaining ring-fenced for expenditure in accordance with the applicable grant conditions.
Legal Services	(£29,323)	An unclassified income receipt was identified in Quarter 1 and is currently being investigated to determine its source and appropriate treatment.
Local Elections	(£70,920)	The MHCLG grant rolled forward from 2025/26 will be utilised during 2026/27 in accordance with the applicable grant conditions.
Local Plans	(£116,922)	Income relating to the previous financial year has been rolled forward into 2026/27.
Misc. Finance	(£1,049,865)	The current favourable variance is primarily due to the timing of expenditure. MRP is posted at year-end and is therefore not reflected in the current profile. The forecast outturn reflects the full-year budget position, including the MRP charge.
Office Accommodation	(£42,641)	Rates for The Grange were significantly lower than budgeted and are being reviewed to establish the cause of the variance.
Parking of Vehicles	£71,605	Asset Management costs will be transferred as part of the 2026/27 financial year-end close-down process.
Parks & Gardens Team	(£145,064)	Section 106 expenditure will be transferred to the relevant reserve as part of the year-end close-down process.
Payroll	£56,885	The variance is due to a payment to the payroll company being made earlier than originally profiled.
Registration of Electors	(£37,294)	The budget is profiled quarterly; however, expenditure is expected to be incurred later in the financial year, resulting in a timing difference against the current profile.
Reprographics	(£11,516)	The variance in subscription expenditure is attributable to payments being incurred later in the financial year compared with 2025/26.
Sport & Recreation Admin	(£85,991)	Grants rolled forward from 2025/26 will be utilised during 2026/27. Any unspent grant funding at year-end will be rolled forward into the following financial year, subject to the applicable grant conditions.

Forecast

7. The Council is currently forecast to report an overall revenue underspend of £199,000 against its approved budget for 2026/27. This position reflects variances across services, including a forecast underspend of £85,000 within the Finance & Assets Committee's remit. The principal variances contributing to the overall outturn are summarised in the table below.

Interest & Financial Transactions	(£60,000)	Interest income remains above the budgeted level, reflecting interest rates being higher than anticipated when the budget was prepared in October 2025, together with the level of funds available for investment.
Member & Committee Support	(£35,000)	The favourable variance is primarily due to staff vacancies during the first quarter of 2026/27, resulting in lower salary expenditure than originally profiled.
Public Conveniences	£10,000	The adverse variance is due to increased cleaning costs arising from additional cover required for staff annual leave and sickness at public toilets across the district.

Capital

8. The Council's overall capital budget stands at £13,498,580, including £6,023,698 of slippage brought forward from 2025/26.
9. The Council's outturn position is forecast to be £13,787,601, an overspend of £289,021. This forecast relates to the roll-out of Wheeled Bins and Food Caddies during the first quarter of the year.

Treasury Management

10. Under the revised Treasury Management requirements introduced in 2023/24 and set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021, councils are required to report their treasury management activity on a quarterly basis. While the Strategy, mid-year review and year-end reports need to go to Full Council for approval, the reports at the end of quarter one and three only need to go to Committee for noting. These reports will therefore be included as part of this Finance Report at the end of these quarters.
11. The treasury management update report is included as Appendix 5, which details that the Council had cash holdings of £21,675,102 at the end of June 2026 and

had received £200,511 in interest on its cash investments during the first quarter, which is £74,000 above the profiled budget.

12. To note, the economic update in the report reflects the position at the end of June 2026.

Arguments/Conclusions

13. The Council is currently forecasting a net revenue underspend of £199,000 against the approved budget. This will be added to the Council's Surplus Savings Reserve and will be available to support budget balancing in future years.

Additional Implications Assessment

Financial Implications Yes	Legal Implications No	Human Resources (HR) Implications No
Equality Impact Assessment (EIA) No	Carbon Impact Assessment (CIA) No	Data Protection Impact Assessment (DPIA) No

Appendices

Appendix 1 – Summary Budget Monitoring Report – 30 June 2026

Appendix 2 – Operational Services Budget Monitoring Report – 30 June 2026

Appendix 3 – Capital Budget Monitoring Report – 30 June 2026

Appendix 4 – Reserve Balances – 30 June 2026

Appendix 5 – Treasury Management Update – 30 June 2026

Background documents

Council Budget approved by Full Council on 24 February 2026

								Agenda Item 15 - Appendix 1					
Finance & Assets Committee - Budget Monitoring Report - 30th June 2026													
Revenue	Total Budget 2026-27	Profiled Budget to 30th June 2026	Adjustments	Profiled Budget to 30th June 2026	Actual to 30th June 2026	Actual to 30th June 2026	Variance	Forecast Outturn	Variance between Total Budget & Forecast Outturn				
	£	£	£	£	£	£	£	£					
Asset Management	153,442	--		--	(291)	(291)	(291)	153,442					
Award Ditches	11,697	2,924		2,924	2,323	2,323	(601)	11,697					
Civic Relations	19,212	4,800		4,800	3,788	3,788	(1,012)	19,212					
Climate Change	232,687	56,002		56,002	(7,531)	(7,531)	(63,533)	232,687					
Closed Churchyards	38,533	9,633		9,633	1,424	1,424	(8,209)	38,533					
Community Transport	15,000	3,750		3,750	1,000	1,000	(2,750)	15,000					
Corp.Man.Policy Research / Review	251,354	12,831		12,831	(232,877)	(232,877)	(245,708)	251,354					
Cost of Other Elections	--	--		--	58,933	58,933	58,933	--					
Council Tax Collection costs	625,991	159,929		159,929	150,531	150,531	(9,398)	625,991					
Data Management	138,122	37,003		37,003	43,722	43,722	6,719	138,122					
Depot	(76,530)		(19,133)	(19,133)	(17,504)	(17,504)	1,629	(76,530)					
Economic Development	(68,922)	(5,209)		(5,209)	11,394	11,394	16,603	(68,922)					
Enterprise Zone Business Rates	500,816	64,408		64,408		--	(64,408)	500,816					
Finance	396,762	97,967		97,967	99,529	99,529	1,562	396,762					
General Gang	60,838	14,708		14,708	16,539	16,539	1,831	60,838					
Health & Safety (Work)	29,900	7,475		7,475	4,589	4,589	(2,886)	29,900					
Housing Benefits	508,800	127,200		127,200	(696,679)	(696,679)	(823,879)	508,800					
Housing Strategic	193,762	45,941		45,941	436,589	436,589	390,648	193,762					
Human Resources (including Training)	300,371	67,382		67,382	60,491	60,491	(6,891)	300,371					
Information Technology	1,310,335	331,802		331,802	601,087	601,087	269,285	1,310,335					
Interest & Financial Transactions	(530,353)	(87,515)		(87,515)	(146,255)	(146,255)	(58,740)	(590,353)	(60,000)				
Internal Audit	89,548	753		753	--	--	(753)	89,548					
Land Charges Admin	(24,758)	(17,777)		(17,777)	(55,763)	(55,763)	(37,986)	(24,758)					
Legal Services	177,887	44,472		44,472	15,149	15,149	(29,323)	177,887					
Local Elections	25,000	6,250		6,250	(64,670)	(64,670)	(70,920)	25,000					
Local Plans	318,652	77,013		77,013	(39,909)	(39,909)	(116,922)	318,652					
Management Team	828,759	212,925		212,925	215,840	215,840	2,915	828,759					
Ely Markets	--	25,564	(21,194)	4,370	4,370	4,370	--	--					
Member & Committee Support	729,619	182,957		182,957	149,943	149,943	(33,014)	694,619	(35,000)				
Miscellaneous Properties	(54,229)	(4,093)		(4,093)	(8,639)	(8,639)	(4,546)	(54,229)					
Miscellaneous Finance	44,478	838,532		838,532	(211,333)	(211,333)	(1,049,865)	44,478					
NNDR Collection Costs	59,525	40,496		40,496	39,824	39,824	(672)	59,525					
Office Accommodation	657,707	291,875		291,875	249,234	249,234	(42,641)	657,707					
Out of Hours Call Out Service	14,000	3,500		3,500	2,094	2,094	(1,406)	14,000					
Parking of Vehicles	4,850	81,117		81,117	152,722	152,722	71,605	4,850					
Parks and Gardens Team	539,859	342,361		342,361	197,297	197,297	(145,064)	539,859					
Payroll	125,102	16,377		16,377	73,262	73,262	56,885	125,102					
Public Conveniences	222,249	51,968		51,968	63,135	63,135	11,167	232,249	10,000				
Refuse Collection	--	--		--	8,108	8,108	8,108	--					
Registration of Electors	50,644	12,661		12,661	(24,633)	(24,633)	(37,294)	50,644					
Reprographics	230,890	64,173		64,173	52,657	52,657	(11,516)	230,890					
Sport & Recreation Admin	132,823	31,206		31,206	(54,785)	(54,785)	(85,991)	132,823					
Finance & Assets Committee Total	8,284,422	3,253,361	(40,327)	3,213,034	1,154,705	1,154,705	(2,058,329)	8,199,422	(85,000)				
Operational Services Committee	8,368,382	2,108,783	--	2,108,783	1,793,062	1,793,062	(315,721)	8,254,382	(114,000)				
Other Spend													
Parish Precepts	3,843,212	960,803		960,803	1,925,981	1,925,981	965,178	3,843,212					
Internal Drainage Boards	824,471	206,118		206,118	373,343	373,343	167,225	824,471					
Movement in Corporate Reserves	264,858	64,408	--	64,408	--	--	(64,408)	264,858					
Revenue Budget Total	21,585,345	6,593,473	(40,327)	6,553,146	5,247,091	5,247,091	(1,306,055)	21,386,345	(199,000)				

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Operational Services Committee - Budget Monitoring Report - June 2026

Revenue	Total Budget 2026-27	Profiled Budget to 30 June 2026	Actual to 30 June 2026	Variance	Forecast Outturn	Variance between Total Budget & Projected Outturn
	£		£	£	£	£
Building Regulations	45,677	(7,083)	(104,882)	(97,799)	85,677	40,000
CIL	0	0	(36,866)	(36,866)	0	
Community Projects & Grants	212,295	72,297	48,717	(23,580)	212,295	
Community Safety	73,219	35,113	39,288	4,175	73,219	
Cons. Area & Listed Buildings	77,144	19,286	21,194	1,908	77,144	
Crematorium	242,649	105,558	62,836	(42,722)	242,649	
Customer Services	649,638	169,537	167,069	(2,468)	649,638	
Dog Warden Scheme	50,674	12,194	15,138	2,944	50,674	
Emergency Planning	34,578	8,616	32,941	24,325	50,578	16,000
Environmental	53,377	13,344	5,012	(8,332)	53,377	
Environmental Health	708,373	177,851	83,240	(94,611)	708,373	
Care & Repair	(25,836)	73,986	129,978	55,992	(25,836)	
Homelessness	383,692	(550,977)	(255,398)	295,579	383,692	
Leisure Centre	(548,183)	0	500	500	(548,183)	
Licensing	(105,213)	(25,553)	(116,123)	(90,570)	(205,213)	(100,000)
Marketing & Grants	33,766	6,552	(19,314)	(25,866)	33,766	
Parish Forums	1,561	390	0	(390)	1,561	
Nuisances	119,898	29,975	29,262	(713)	119,898	
Planning	419,250	169,537	70,348	(99,189)	349,250	(70,000)
Public Relations	130,557	32,639	31,971	(668)	130,557	
Refuse Collection	1,438,796	335,191	312,413	(22,778)	1,438,796	
Refuse Recycling	3,048,931	1,100,283	932,653	(167,630)	3,048,931	
Street Cleansing	1,284,471	321,118	317,599	(3,519)	1,284,471	
Street Naming & Numbering	39,067	9,017	12,834	3,817	39,067	
Travellers Sites	0	(88)	12,652	12,740	0	
Revenue Total	8,368,382	2,108,783	1,793,062	(315,721)	8,254,382	(114,000)

Capital Monitoring 2026/27

Capital	Published Budget 2026-27	Slippage from 2025-26	Additions	Revised Budget 2026-27	Actual at 30 Jun 2026	Outturn	Variance between Revised Budget & Outturn
	£	£	£	£	£	£	£
OPERATIONAL SERVICES							
Conservation Area Schemes - 2nd round		27,506		27,506	0	27,506	0
Refuse & Cleansing Vehicles	80,000	1,032,993		1,112,993	69,002	1,112,993	0
Waste - Wheelied Bins	40,000	786,909		826,909	993,669	993,669	166,760
Food Waste Caddies		168,147		168,147	290,408	290,408	122,261
Mandatory Disabled Facilities Grants (DFG)	697,299	188,116		885,415	319,015	885,415	0
Empty Properties, Discretionary DFGs, Minor Works, Home Repair Asst.	75,000	39,157		114,157	10,071	114,157	0
Vehicle Etc. Replacements	100,000			100,000	62,726	100,000	0
Bereavement Centre	2,482,583	3,529,235		6,011,818	2,291,032	6,011,818	0
Leisure Centre				0			0
Operational Services Total	3,474,882	5,772,063	0	9,246,945	4,035,923	9,535,966	289,021
FINANCE & ASSETS							
Solar Panels on Council Buildings		100,100		100,100		100,100	0
Depot		151,535		151,535	105,710	151,535	0
New Loan Agreement with ECTC	4,000,000			4,000,000	1,375,000	4,000,000	0
Finance & Assets Total	4,000,000	251,635	0	4,251,635	1,480,710	4,251,635	0
Total	7,474,882	6,023,698	0	13,498,580	5,516,633	13,787,601	289,021

SOURCES OF FINANCING	Published Budget 2026-27 £	Slippage from 2025-26 £	Additions £	Revised Budget 2026-27 £	Outturn £	Variances £
Operational Services						
Government Grants (DFG)	602,678	188,116		790,794	790,794	0
Government Grants (Food Waste)		894,065		894,065	894,065	0
Capital Receipts	209,621	66,663		276,284	276,284	0
Borrowing	(420,000)	1,093,984	0	673,984	963,005	289,021
Section 106 / CIL	3,082,583	3,529,235	0	6,611,818	6,611,818	0
Operational Services Total	3,474,882	5,772,063	0	9,246,945	9,535,966	289,021
Finance & Assets						
Revenue Contributions	0	0		0	0	0
Capital Receipts	0	100,100		100,100	100,100	0
Borrowing	4,000,000	151,535		4,151,535	4,151,535	0
Finance & Assets Total	4,000,000	251,635	0	4,251,635	4,251,635	0
Capital Funding Total	7,474,882	6,023,698	0	13,498,580	13,787,601	289,021

Capital Resources Forecast	Published Budget 2026-27 £	Slippage from 2025-26 £	Additions £	Revised Budget 2026-27 £	Outturn £	Variances £
Balance Brought Forward	1,471,421			1,471,421	1,471,421	
Add receipts from Sales of Assets	50,000			50,000	50,000	0
Less Capital Receipts Applied	(209,621)	(166,763)		(376,384)	(376,384)	0
Capital Reserves Carried Forward	1,311,800	(166,763)	0	1,145,037	1,145,037	0

Borrowing	Published Budget 2026-27 £	Slippage from 2025-26 £	Additions £	Revised Budget 2026-27 £	Outturn £	Variances £
Balance Brought Forward	12,461,538			10,820,810	10,820,810	
Less MRP Applied	(940,731)			(940,731)	(940,731)	0
Repayment from ECTC	(1,875,653)			(1,875,653)	(1,875,653)	0
Add additional Borrowing Applied	3,580,000	1,245,519	0	4,825,519	5,114,540	289,021
Borrowing Carried Forward	13,225,154	1,245,519	0	12,829,945	13,118,966	289,021

Reserve Accounts

Description	2026/27			
	Opening Balance 1 April	Transfers to Reserve	Contributions from Reserve	Forecast Balance 31 March
	£	£	£	£
District Elections	75,397	25,000		100,397
Housing Conditions Survey	40,000	5,000		45,000
Change Management	0			0
Major Project Development	100,000			100,000
Surplus Savings Reserve	11,532,328	199,000	(3,211,396)	8,519,931
Vehicle Replacements	74,240			74,240
Sports Facilities Funding Reserve	48,000			48,000
IT	227,209	60,000	(196,138)	91,071
CIL Admin	206,621	70,000	(100,000)	176,621
Asset Management	53,601			53,601
Community Fund Reserves	10,678			10,678
Housing	69,926			69,926
Historical Homelessness Grant	633,269		(104,992)	528,277
Affordable Housing	88,112			88,112
General Fund Balance	1,426,014	264,858		1,690,872
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	1,592,576	250,408	(185,718)	1,657,266
Growth and Infrastructure Fund	1,500,329			1,500,329
Exceptional Hardship Fund	2,976			2,976
Community Transport	139,281			139,281
Climate Change	114,313			114,313
Other				
CIL	10,855,762	400,000	(2,482,583)	8,773,179
Section 106 Agreements	4,274,862		(500,000)	3,774,862
Internal Borrowing	(10,820,810)	(5,114,540)	2,816,384	(13,118,966)
Total Reserves	22,284,682	(3,804,552)	(3,964,443)	14,515,687
Total Reserves	17,974,868	909,988	(3,798,244)	15,086,612
General Fund	1,426,014	264,858	0	1,690,872
Earmarked Reserves	16,548,854	645,130	(3,798,244)	13,395,740

Treasury Management Update

Quarterly Report

30TH JUNE 2026

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Treasury Management Update

Quarter Ended 30th June 2026

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 first quarter of 2026/27 (April to June) saw:
 - The first sign that the economy is starting to falter with a 0.1% m/m fall in real GDP in April
 - The 3my rate of average earnings growth excluding bonuses stagnate at 3.4% in April
 - CPI inflation stuck at 2.8% in May, with a rise in core CPI inflation from 2.5% to 2.6%
 - The Bank of England leave interest rates unchanged at 3.75% as the economy remains weak
 - The 10-year gilt yield fluctuate between 5.18% and 4.69%, ending the quarter at 4.76%
- The economy performed well in the early stages of the energy shock, with GDP rising by a strong 0.6% q/q between January and March. But that will likely be the high point of the year. Indeed, the 0.1% m/m fall in real GDP in April was the first decline since August 2025 and brought the first signs that the economy is starting to crack.
- Services output contracted by 0.2% m/m in April and activity fell in eight of the 14 services sub-sectors, suggesting the sector is bearing the brunt of the Iran war fallout. Consumer-facing services recorded the biggest monthly fall in output since May 2025, causing the %3m/3m growth rate to ease from 0.9% in March to 0.6% in April, as households cut back on non-energy spending.
- Despite a weak headline number, digging deeper there were some signs of strength. Manufacturing output rose by 0.4% m/m but that was probably in part due to a temporary prop from precautionary stock building. Looking ahead, despite the announced ceasefire of the conflict in the Middle East, Capital Economics expect elevated prices to erode the real spending power of households and businesses, leaving growth to stagnate in Q2 and Q3 this year.
- The fall in the composite Purchasing Manager Index (PMI) from 49.7 in May to a 14-month low of 49.4 in June was entirely driven by services activity. Indeed, the services activity PMI fell from 49.3 to a 41-month low of 48.7 due to rising costs and political uncertainty weighing on consumer confidence. That weakness was partly offset by a rise in the manufacturing output for a third consecutive month but that was due to fears of shortages causing businesses to build stocks. Overall, the composite PMI suggests the strong start to the year will be followed by tepid growth at best. Various prices balances have edged lower more recently as falling oil prices feed through to an easing in cost pressures. While these prices remain too high for the Bank of England, it is clear the upward pressure on prices is easing.,
- With most of the 1.2% m/m rise in retail sales volumes in May driven by promotions and unusually warm weather, this surprisingly strong month is unlikely to be the start of a sustained upturn. Admittedly, the recent fall in oil prices should boost fuel sales as drivers become less cost sensitive, but the GfK measure of consumer confidence in June still points to total sales volumes falling by about 2.0% m/m in June. Moreover, while the war could be over, the expected further rises in inflation and unemployment yet to come through seem consistent with the annual growth rate of retail sales volumes easing from +3.2% in May to about -1.0 this year.
- Public sector net borrowing of £23.3bn in May was above the OBR's forecast of £17.7bn and £5.4bn above May's figure last year. The weak performance in May was mainly due to the strength of government spending, as the rise in Retail Prices Index inflation in March meant debt interest payments were £4.1bn higher than in May 2025, £3.3bn higher than the OBR anticipated in March and the highest in any May on record. Tax receipts of £85.5bn were also below OBR predictions.

- The weak performance in May has come before the full impact from the energy price shock hits. The combination of further energy price support, higher inflation and the weakening economy may cause borrowing to rise from 4.2% of GDP in 2025/2026 to 4.4% in 2026/2027, above the OBR's March forecast of 3.6%. If Chancellor Reeves is replaced, there is scope for borrowing to be even higher.
- The first quarter of 2026 saw significant weakening of the labour market. While the latest PAYE employment figure for May saw a 2,000 rise, that barely offset the big 53,000 drop in April and meant employment was still 64,000 (0.2%) lower than before the start of the Iran war and 0.4% lower than a year ago. Moreover, the number of job vacancies on the single-month measure fell for the fourth month in a row in May and the claimant count saw the largest monthly rise since July 2024.
- In addition to some signs of stabilisation in the labour market figures, the recent easing in pay growth appears to have stalled. Despite some further easing in the private sector pay below the 3.25% that the Bank of England considers consistent with CPI inflation falling to target, the 3myy growth rate of average earnings stayed at 4.4% in April. Excluding bonuses, it stayed at 3.4% whilst regular public sector pay growth accelerated from 4.8% 3myy to 5.1% 3myy.
- Like wage growth, CPI inflation held steady in May at 2.8%. There wasn't much support to inflation from energy effects. The 0.3% m/m fall in fuel prices was smaller than the 1.6% m/m drop last May and meant fuel inflation rose only a bit from 23.0% to 24.6%. After rising to 129.6%, heating oil inflation eased to 95.6%. And the 13.5% rise in the Ofgem utility price cap, which will add 0.6 percentage points (ppts) to CPI inflation, doesn't take effect until 1st July. With food & drink inflation easing to its lowest rate since late 2024, higher energy costs do not seem to be boosting other items of the CPI just yet.
- The delayed rise in utility prices and the lagged indirect energy effect will lift CPI inflation over the next nine months, perhaps to around 3.6%. Even so, the weak labour market and soft economic backdrop will prevent second-round effects, allowing inflation to fall to 2.0% next year.
- There were two monetary policy committee (MPC) meetings in Q2 2026 where Bank rate was yet again left unchanged at 3.75%. Even so, the tone in recent meetings has been increasingly hawkish, with two MPC members voting for a rate hike in June compared to just one in April. While energy prices may be falling, the MPC won't want to unwind some of the tightening in financial conditions priced into the markets. And while there is quite a difference between this energy shock and the one following the Russia-Ukraine war in 2022, the Bank of England will want to steer clear of allegations of taking too long to act. Nevertheless, we suspect a weak labour market, and soft activity will keep rates at 3.75% this year, with cuts thereafter leaving Bank rate at 3.5% by the end of next year and 3.25% by the spring of 2028.
- April to June brought more volatility for 10-year Gilt yields. After ending March at 4.92%, the 10-year Gilt shot up to 5.18% in mid-May, its highest level since 2008. While that largely reflects the surge in energy prices, sticky domestic inflation concerns and a rising UK political risk premium also put some upward pressure on the yield at the margin.
- Since, positive developments in the US-Iran conflict has led to a fall in oil and gas prices. The 10-year Gilt yield has generally traced that move, falling back to 4.7% in June. This rally in Gilts has also been supported by the Bank of England keeping rates on hold and some reassurance on the fiscal outlook from the likely replacement of Starmer's leadership with Burnham's. Indeed, while financial markets had been pricing in around four policy rate hikes over the next year or so, they are now pricing in just one rate hike over the coming year. While the full inflationary impact of the war in Iran is yet to be felt, we still think a weaker labour market and subdued growth will prevent second-round effects.
- The FTSE 100 has been slowly gaining back some of the losses of the previous quarter. While the index dropped from an all-time high of around 10,900 in late February to 10,176 by the end of March as the ongoing war weighed on sentiment, the FTSE 100 regained some ground by the end of June. Indeed, the index has increased by around 3.3% over the quarter, rising from 10,176 to 10,516 and volatility has returned to historical norms.
- Nonetheless, with stocks in the energy sector generally providing negative returns amid falling energy prices, the large weighting of the sector in the FTSE 100 has led the index to underperform most peers in common currency terms. But returns from stocks in other sectors, particularly financials, helped to offset some of this weakness. Looking ahead, Capital Economics expect tech sectors to outperform as enthusiasm for AI builds, potentially pushing the FTSE 100 index up above 11,000 before a bursting of the AI bubble causes the index to fall back to 10,500 in 2027.

MPC meetings: 30th April & 18th June 2026

- There were two Monetary Policy Committee (MPC) meetings this quarter. The first, on 30th April, saw Bank Rate stay at 3.75% with an 8-1 split vote in favour of that decision. One member dissented and voted for a 0.25% increase to 4%, citing inflation concerns, something generally noted as a primary concern within the minutes and reflecting heightened caution due to potential energy supply shocks caused by the Middle East conflict.
- By the time the MPC next met on 18th June, the hawkish split widened, with two members voting to raise rates to 4%. However, with headline CPI inflation sticking at 2.8%, the market's sentiment that there may, but only may, be a need for a single rate increase over the next few months seems to be aligned to the way the MPC is thinking and is also similar to our own view of rates staying at 3.75% but with upside risk.

2. Interest rate forecasts

The Council has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast was updated on 25th March 2026:

MUFG Corporate Markets Interest Rate View 25.03.26												
	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	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The MUFG Corporate Markets forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

The forecast has proved robust over the period since the end of March, setting out a central view that short and long-dated interest rates will start to fall once it is evident that the Bank of England will not have to contend with second-round inflationary effects emanating from the conflict in the Middle East. Nonetheless, the longer dated part of the forecast also reflects the poor state of the public finances and the uncertainty pertaining to the likely Prime Ministership of Andy Burnham from 20th July.

Overall, our central view is that monetary policy is sufficiently tight for the likely uptick in CPI inflation through the remainder of 2026 if growth remains tepid. We forecast the next reduction in Bank Rate to be made in H2 2027, with Bank Rate falling to a low of 3.25% during 2028.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2026/27, which includes the Annual Investment Strategy, was approved by the Council on 24th February 2026. 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 remained elevated during the first quarter of 2026/27 and are only expected to fall back once it is clear that inflation will not take a strong foothold in H2 2026. A peak in CPI inflation of 3.6% is currently forecast by Capital Economics.

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.

CDS prices

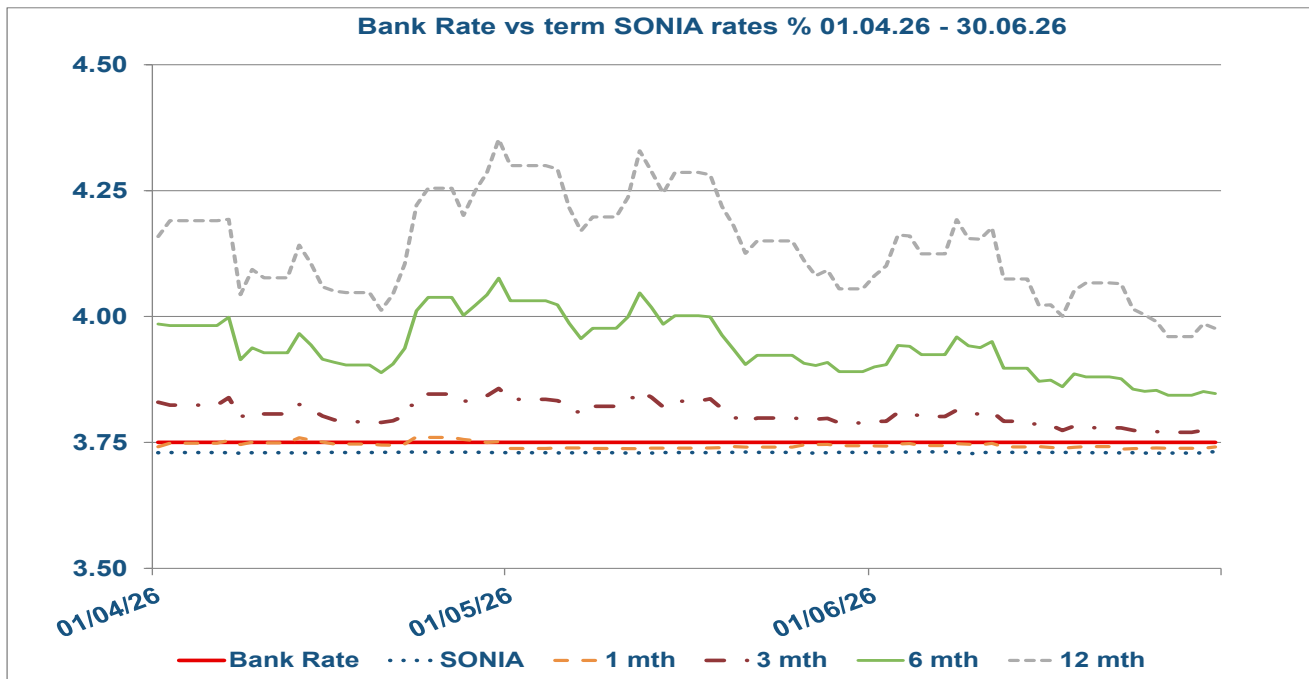
For UK and international banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. **Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return.**

Investment balances

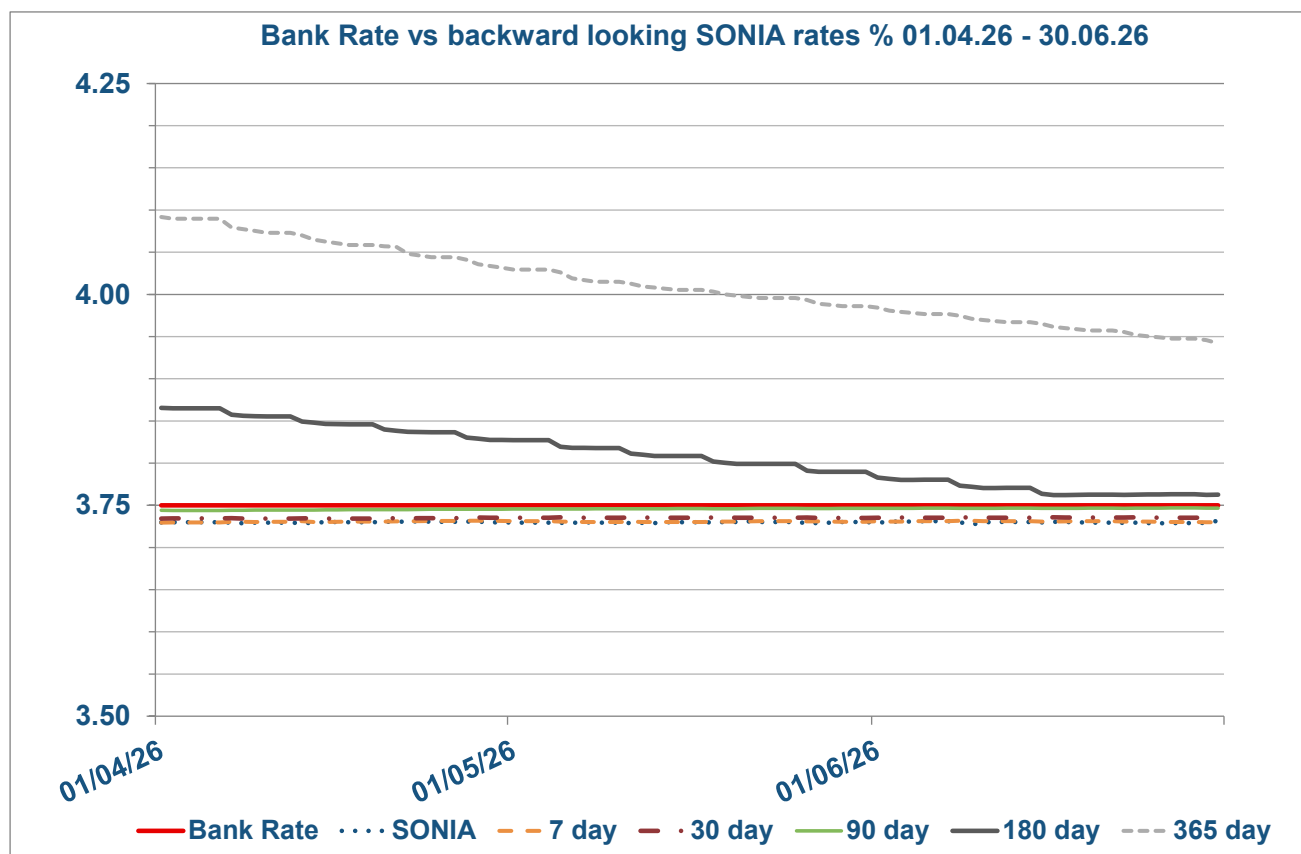
The average level of funds available for investment purposes during the quarter was **£25.03m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council currently holds significant funds relating to CIL and Section 106 agreements.

As highlighted previously, we are now using the Sterling Overnight Index Averages. The backward-looking benchmark reflects where the market was positioned when investments were placed.

Investment performance year to date as of end-June 2026



FINANCIAL YEAR TO QUARTER ENDED 30/06/2026						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	3.75	3.73	3.76	3.86	4.08	4.35
High Date	01/04/2026	30/06/2026	23/04/2026	30/04/2026	30/04/2026	30/04/2026
Low	3.75	3.73	3.74	3.77	3.84	3.96
Low Date	01/04/2026	09/06/2026	22/06/2026	26/06/2026	26/06/2026	26/06/2026
Average	3.75	3.73	3.74	3.81	3.94	4.14
Spread	0.00	0.00	0.02	0.09	0.23	0.39



FINANCIAL YEAR TO QUARTER ENDED 30/06/2026

	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	3.75	3.73	3.73	3.74	3.75	3.87	4.09
High Date	01/04/2026	30/06/2026	09/06/2026	06/05/2026	26/06/2026	01/04/2026	01/04/2026
Low	3.75	3.73	3.73	3.73	3.74	3.76	3.94
Low Date	01/04/2026	09/06/2026	01/04/2026	01/04/2026	02/04/2026	16/06/2026	30/06/2026
Average	3.75	3.73	3.73	3.74	3.75	3.81	4.01
Spread	0.00	0.00	0.00	0.00	0.00	0.10	0.15

The Council has budgeted investment returns of £0.530 million for 2026/27. At the end of Q1, investment income is £200.5k against a profiled budget of £126k, resulting in a favourable variance of £74k. While returns are expected to moderate over the remainder of the year as the Council's cash balances reduce, particularly as expenditure on the Bereavement Centre progresses, the full-year outturn is currently forecast to be approximately £60k above the annual budget.

The list of investments held on 30th June 2026

	Value £	Interest Rate
NatWest Bank Current Account	155,102	2.50%
Money Market Funds – Insight	5,000,000	3.87%
Money Market Funds – Aberdeen Standard	4,520,000	3.85%
Standard Chartered Bank	6,000,000	3.83%
SMBC Bank	6,000,000	3.98%
TOTAL	21,675,102	3.88%

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2026.

4. Borrowing

The Council had no external borrowing carried forward from 2025/26 and none was undertaken during the quarter ended 30th June 2026 and it is further anticipated that no external borrowing will be needed 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 30th June 2026, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2026/27. 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.

APPENDIX 1: Prudential and Treasury Indicators for 2026-27 as of 30th June 2026

Treasury Indicators	Actual	Actual
	30 th June 2026	31 st March 2026
	£0	£0
Authorised limit for external debt	8,000	8,000
Operational boundary for external debt	0	0
Gross external debt	0	0
Investments	(21,675)	(30,131)
Net borrowing/(Investment)	(21,675)	(30,131)

Prudential Indicators	Forecast Yearend Position as at 30 th June 2026	Actual
	£'000	31 st March 2026
		£'000
Capital Financing Requirement (CFR) – Brought forward	10,821	10,197
Capital Expenditure funded from Borrowing	5,114	4059
Minimum Revenue Provision & Repayment of Loan from ECTC	(2,816)	(3,435)
Annual change in CFR	2,298	624
Capital Financing Requirement (CFR) – Carried forward	13,119	10,821