



**Corporate Policy and
Resources Committee**

Thursday, 12th February 2026

Subject: Budget and Treasury Monitoring - Quarter 3 2025/2026 (1st April 2025 to 31st December 2025)

Report by: Director of Finance and Assets (S151 Officer)

Contact Officer: Sarah Scully
Finance Business Support Team Leader
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Purpose / Summary: This report sets out the revenue, capital and treasury management activity from 1st April 2025 to 31st December 2025.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a **£0.387m** net contribution to reserves as of 31st December 2025 (see Section 2) relating to revenue activity.
- b) Members accept the use of Earmarked Reserves approved by the Chief Finance Officer using Delegated powers (Section 2.4.1).
- c) Members accept the contribution to Earmarked Reserves (2.4.2).
- d) Committee approves the amendment to the fees and charges schedule for 2026/2027 and recommends to Council for approval and inclusion within the 2026/2027 Revenue Budget (2.3.2).

CAPITAL

- e) Members accept the current projected Capital Outturn position of £8.757m (Section 3).
- f) Members note the variances to the Capital Schemes as detailed in 3.2 with any amendments to be actioned at year end.

TREASURY

- g) Members accept the report, the treasury activity and the prudential indicators (Section 4).

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN/144/26/CPR/SSC

REVENUE

The draft revenue forecast out-turn position for 2025/2026 is a net contribution to reserves (underspend) of **£0.387m** relating to revenue activity as of 31st December 2025.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2025/2026		
	£ 000	
OUTTURN AS AT 31.12.25	(539)	BEFORE CARRY FORWARDS
CARRY FORWARDS : USE OF EARMARKED RESERVES	13	ALREADY APPROVED
SUB-TOTAL:	(525)	
CARRY FORWARDS : SERVICE REQUESTS	139	Pending approval by Management Team April 2026
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	(387)	
TOTAL CARRY FORWARDS:	152	

The forecast General Fund Balance as of 31st March 2026 is £2.198m (excluding carry forwards). which is within the range agreed by members of between £2m and £2.5m.

The items with significant variances are contained within this report at 2.1 and 2.2.

CAPITAL

The capital programme forecast outturn for 2025/2026 is £8.757m against a revised budget of £13.974m, a variance of **£5.217m**.

The amendments to the 2025/2026 capital scheme are detailed at 3.2 and will be actioned at year end.

TREASURY

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £19.000m.

There have been no breaches of Treasury or Prudential Indicators within the period of this report.

Average investments for Qtr.3 2025/2026 (Oct to Dec) were £17.538m, which achieved an average rate of interest of 4.107% (Qtr.2 2025/2026, July to Sept, was £16.441m, 4.267%).

Staffing:

Salary budgets 2025/2026 were based on an estimated 3.0% pay award across all scale points.

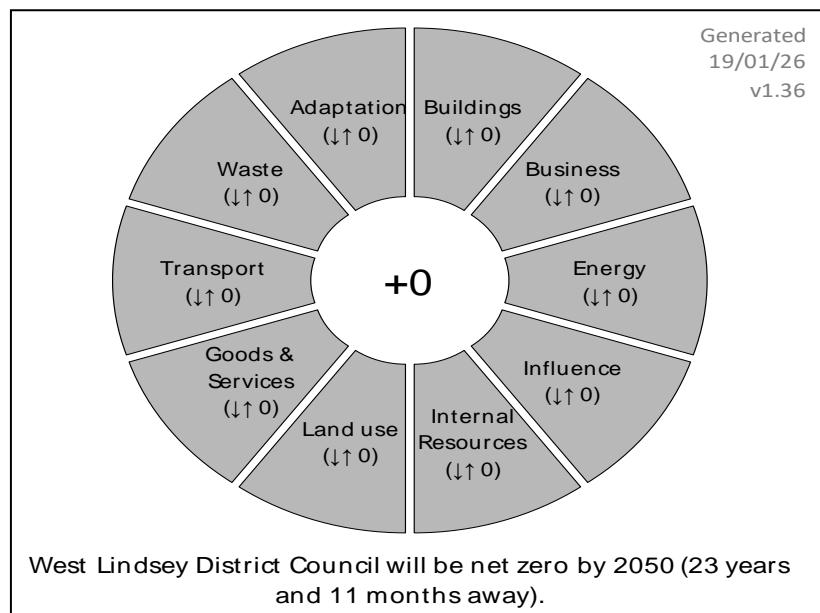
On the 22nd of April 2025 the National Employers made full and final offers of 3.2% to each of the four negotiating groups for which they have responsibility. This offer was formally accepted on the 23rd of July 2025.

Based on a full establishment, costs have increased by £0.027m. As the organisation currently carries vacancies above the 2% vacancy factor allowed for, it is anticipated that the impact of the pay award will be contained within existing budget provision.

Equality and Diversity including Human Rights: None arising as a result of this report.

Data Protection Implications: None arising as a result of this report.

Climate Related Risks and Opportunities: None arising as a result if this report.



Section 17 Crime and Disorder Considerations: None arising as a result of this report.

Health Implications: None arising as a result of this report.

Title and Location of any Background Papers used in the preparation of this report : N/A

Risk Assessment: This is a monitoring report only.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e., is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Executive Summary

This report provides the oversight of financial performance at the end of Quarter 3 2025/2026 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves £0.387m. (-1.84% of Net Revenue Budget – see 2.1 for details of significant variances).
- **Appendices included within the report:**
 1. Capital Investment Programme – budget monitoring table as of 31st December 2025.
 2. MUFG Economic Update and Interest Forecast as of 31st December 2025.
 3. UK Shared Prosperity Fund (UKSPF) Update Qtr. 3 2025/26
 4. MUFG Investment Analysis Review December 2025.

CAPITAL

- Capital Forecast Out-Turn: £8.757m against a revised budget of £13.974m, resulting in a variance of £5.217m.
- £0.052m being underspends, £0.017m being movements to revenue and £5.148m carry forwards to 2026/2027.

Members are asked to note:

- Underspends of £0.052m detailed at 3.2.1
- Movements to revenue of £0.017m detailed at 3.2.2
- Carry forward budgets to 2026/2027 of £5.148m detailed at 3.2.3

Underspends	£m
Firewall upgrade & Replacement	(0.016)
Civic Car Replacement	(0.030)
Home Upgrade Grant Phase 2	(0.001)
Vehicle Replacement Programme	(0.005)
Total	(0.052)

Carry Forwards into 2026/2027	£m
Contact Centre	(0.002)
Desktop Refresh	(0.003)
ERP Systems Phase 2	(0.348)
5-7 Market Place Redevelopment	(0.045)
Purchase of RAF Scampton	(4.750)
Total	(5.148)

Movement of Budgets to Revenue	£m
Member ICT Provision	(0.017)
Total	(0.017)

Variance Against Revised Budget	(5.217)
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TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 31 December 2025 were:
 - Average investment interest rate for October to December was 4.107%.
 - Total Investments at the end of Quarter 3 were £15.580m.
 - Bank Account balance £0.074m

The tables below reflect the movement on our investments and borrowing in Quarter 3:

Investment Movements	Qtr. 3 £'m
Investments B/fwd. (at 30.09.2025 including cash held at bank)	15.312
(Less) Net Capital expenditure/ Funding received	(0.712)
Add PWLB/Other LA Borrowing in year	0.000
Add/(Less) Net Revenue Expenditure	(1.489)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	2.543
Investments carried forward (at Period end)	15.654

The prudential borrowing position reflects actual borrowing undertaken from the Public Works Loans Board/Other Local Authorities and the amount of internal borrowing required to meet the actual costs of borrowing up to the 31 December 2025. Internal Borrowing is an approved practice whereby external borrowing is delayed by using cash held for other purposes. It allows us to avoid paying interest until the original expenditure planned for the internally borrowed cash is required.

	Qtr.3
Prudential Borrowing	£'m
Total External Borrowing (PWLB)	14.000
Other Local Authorities	5.000
Internal Borrowing	16.251
Total Prudential Borrowing at 31.12.2025	35.251

2. FINAL REVENUE BUDGET OUTTURN 2025/2026

The Revenue budget forecast out-turn for 2025/2026 currently stands at a net contribution to reserves of **£0.387m** as detailed in the table below.

Details of headline variances by Cluster can be found below at 2.1 and 2.2.

Cluster	Base Budget	Revised Budget	Forecast Outturn	Outturn Variance before Cfwds	Carry Forwards	Outturn Variance after Cfwds
	£	£	£	£	£	£
Our Council	8,384,500	8,979,300	8,970,331	(8,969)	66,900	57,931
Our People	2,121,700	2,329,400	2,503,431	174,031	0	174,031
Our Place	5,052,900	5,562,000	5,202,795	(359,205)	84,800	(274,405)
Grand Total	15,559,100	16,870,700	16,676,557	(194,143)	151,700	(42,443)
Interest Receivable	(524,700)	(524,700)	(648,100)	(123,400)	0	(123,400)
Investment Income - Property Portfolio	(1,552,700)	(1,672,000)	(1,739,645)	(67,645)	0	(67,645)
Drainage Board Levies	552,600	552,600	552,590	(10)	0	(10)
Parish Precepts	2,850,200	2,850,200	2,850,190	(10)	0	(10)
Interest Payable	686,000	686,000	591,700	(94,300)	0	(94,300)
MRP/VRP (repayment of borrowing)	980,100	980,100	980,100	0	0	0
Net Revenue Expenditure	18,550,600	19,742,900	19,263,392	(479,508)	151,700	(327,808)
Transfer to / (from) General Fund	(156,600)	(2,159,700)	(2,159,700)	0	0	0
Transfer to / (from) Earmarked Reserves	2,684,300	3,571,800	3,571,800	0	0	0
Amount to be met from Government Grant or Council Tax	21,078,300	21,155,000	20,675,492	(479,508)	151,700	(327,808)
Funding Income						
Business Rate Retention Scheme	(6,654,900)	(6,654,900)	(6,654,900)	0	0	0
Collection Fund Surplus - Council Tax	(275,600)	(275,600)	(275,600)	0	0	0
Parish Councils Tax Requirement	(2,850,200)	(2,850,200)	(2,850,200)	0	0	0
New Homes Bonus	(499,400)	(499,400)	(499,400)	0	0	0
Other Government Grants	(2,726,300)	(2,726,300)	(2,785,334)	(59,034)	0	(59,034)
Council Tax Requirement	(8,148,600)	(8,148,600)	(8,148,600)	0	0	0
TOTAL FUNDING	(21,155,000)	(21,155,000)	(21,214,034)	(59,034)	0	(59,034)
Balanced Budget / Funding Target	(76,700)	0	(538,542)	(538,542)	151,700	(386,842)

2.1 The significant incremental variances against the approved budgets being:

KEY:	
↑	improved position (i.e. increased surplus, or reduction in pressure)
↔	no change
↓	worsened position (i.e. decrease in surplus, or increase in pressure)

Cluster	EXPENDITURE	Total £000	Direction of Travel From Prev. Qtr.
BUDGET UNDERSPENDS			
Our Council / Our People / Our Place	Salary (underspends) / pressure. Forecast underspend arising from vacancies offset by pressures due to temporary resources appointed to cover vacant posts.	(£48)	↑
Our Place	Street Cleansing - Hire of sweepers saving due to the accounting rules for leased plant (IFRS16).	(£75)	New
Our Council	Corporate Contingency budget not required.	(£51)	↔
Our Council / Our Place	Fuel - average price per litre to date £1.07, forecast £1.09 for remainder of year (compared to £1.10 average price per litre for the year 2024/2025).	(£33)	↓
PRESSURES			
Our Council	Insurance Premiums - Increase due to renewal volume changes.	£30	↑
	Various forecast outturn variances <£10k.	£24	↓
		(£153)	

Cluster	INCOME	Total £000	Direction of Travel From Prev. Qtr.
BUDGETED INCOME EXCEEDED			
Corporate Accounting	Interest Receivable (£123k), Interest Payable (£94k).	(£217)	↑
Our Council	Supplementary Services - Big Bin Hire (£4k). Bulky Waste Collections (14k).	(£18)	↓
Our Council	Commercial Waste income due to increased customer base.	(£19)	↓
Our Place	Property Services - Rent increases.	(£27)	New
Our Place	Planning Fee Income has exceeded budgeted levels due to completion of a number of large applications.	(£95)	New
Funding	Windfall Income: Government Grants - MHCLG - Internal Drainage Board Levies Support.	(£59)	↔
BUDGETED INCOME NOT ACHIEVED			
Our Council	Legal Service income. No dividend is expected in 2025/2026.	£20	↔
Our Council	Crematorium income is down against forecast due to an increase in direct cremations and farewell services.	£69	New
Our Place	Local Land Charge Search Fee income below budget due to reduced demand.	£14	New
Our People	Housing Standard - Less Civil penalty notices issued £7k. £25k relates to budgeted income from Selective Licensing scheme which didn't proceed.	£32	New
Our People	Housing Benefits Subsidy - forecast loss of subsidy reclaimed on supported accommodation placements £90k, reduced by budget savings against Housing Benefit administration (£24k).	£66	↑
			(£234)

SERVICE BUDGET VARIANCE	(£111)
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CORPORATE BUDGET VARIANCE	(£276)
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TOTAL VARIANCE	(£387)
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2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Our Council

- **Supplementary Services**

The Bulky Waste Collection service is forecast to generate £0.014m in additional income for the year.

The Big Bin Hire service was initially introduced for a 12 month period, in July 2025 Committee approved continuing the service as a business as usual offering and is forecast to generate £0.004m of net income in 2025/2026.

The expenditure and income budgets for the service are to be built into the Medium Term Financial Plan (MTFP) from 2026/2027, with a forecast net income of £0.018m pa.

- **Commercial Waste**

Commercial Waste income is forecast to generate £0.019m above the target for the year due to an increase in customer base.

- **Insurance Premiums**

There is a pressure of £0.030m against the insurance premium budget for 2025/2026. The budget was forecast based on existing information at the time of budget setting. It did not consider any renewal volume changes, such as changes to property values, and increases in fleet numbers which have occurred since. The final renewal price reflects all known renewal uplifts.

- **Legal Service**

There is a pressure of £0.020m against Legal Services income. Under the previous Service Level Agreement (SLA) with LCC there was discretion for them to distribute any surplus generated within the service across the contracted Districts at year end, with an average of £0.010m pa paid to West Lindsey District Council across the previous three financial years.

There is no dividend expected in 2025/2026.

- **Corporate Contingency Budgets**

There are revenue contingency budgets held to:

- mitigate risks
- provide support for projects within approved business plans

- utilise for county wide projects, and
- offset potential pressures identified through the Medium Term Financial Plan where the values and/or timing of spend was unconfirmed at the time of budget setting.

£0.051m has been confirmed as not required during 2025/2026.

- **Crematorium**

There is a forecast pressure on income of **£0.069m** for standard cremation services, partly due to an increase in direct cremations and farewell services. The MTFP reflects the latest business plan, as presented to Corporate Policy and Resources Committee in October 2024.

2.2.2 Our People

- **Housing Benefit Subsidy**

We have new accommodation providers in West Lindsey who are offering supported accommodation and because the providers are not Registered Providers of Social Housing we cannot claim full subsidy on the Housing Benefit we pay out to any tenants in these properties. There is a possibility that West Lindsey will be responsible for 50% of the benefit paid on these properties and as the accommodation is supported accommodation the rents are far higher than normal rents. These landlords are being urged to become Registered which means they will be regulated, and full Housing Benefit subsidy can be claimed from the Department for Work and Pensions. Work is underway for one landlord to become registered, but the timescales are unknown.

The impact of this is forecast to be a pressure of £0.090m on Housing Subsidy. If a landlord became registered during the year this would be reduced, but also if an unregistered landlord expanded their offering within the district it would increase.

This has been reduced by £0.024m budget saving against Housing Benefit administration – with a net forecast pressure of **£0.066m**.

- **Housing Standards**

There is a forecast pressure on income of **£0.032m** against the fees and charges budget for this service. £0.007m is due to a forecast reduced number of civil penalty notices being issued in 2025/2026. £0.025m relates to the Selective Licensing Scheme with budgeted income not being realised due to the scheme not proceeding.

2.2.3 Our Place

- **Fuel**

There is a forecast underspend against fuel budgets of £0.033m. The average fuel price to date is £1.07 per litre, with an average price of £1.09 per litre forecast for the remainder of the year (compared to the average price paid per litre during 2024/2025 of £1.10).

- **Street Cleansing - Hire of Sweepers**

There is a forecast underspend against vehicle hire budgets of £0.075m. The service holds a budget for the hire of sweepers and has entered into a lease agreement for two sweepers during 2025/2026.

A change in accounting rules for the lease of property, plant and equipment (accounting standard IFRS16 effective from the 1st of April 2025) means that the sweepers must be treated as a Right of Use Asset (ROUA) on our balance sheet instead of as a service revenue cost.

Whilst there is a saving in year one of the agreement, capital costs are applied from year two and for a year following the end of the agreement. This has been reflected in the MTFP with effect from 2026/2027.

- **Land Based Administration**

There is a forecast pressure of £0.014m for land charge search fees due to reduced demand.

- **Planning**

Planning application fee income is forecast to generate £0.095m above the target for the year due to the completion of a number of large developments.

- **Property Services**

There is additional income forecast of £0.027m due to additional income following RPI reviews of rent which were due in year for a number of properties.

2.2.4 Corporate Accounting

- **Interest Payable/Receivable**

Income for interest receivable is £0.123m above the revised budget. This is due to the current base rate being slightly higher than the peak expected when the budget was set. This combined with pro-active treasury management has meant that the Council is forecast to exceed its interest receivable budget. In addition,

there is a forecast underspend on interest payable of £0.094m due to a lower borrowing requirement than forecast at the time of budget setting for 2025/2026.

2.2.5 Funding

- **Windfall income**

We have received windfall grant income of £0.059m in relation to a Government Grant for internal Drainage Board Levies Support.

2.2.6 Establishment

Salary budgets 2025/2026 were based on an estimated 3.0% pay award across all scale points.

On the 22nd of April 2025 the National Employers made full and final offers of 3.2% to each of the four negotiating groups for which they have responsibility. This offer was formally accepted on the 23rd of July 2025.

Based on a full establishment, costs have increased by £0.027m. As the organisation currently carries vacancies above the 2% vacancy factor allowed for, it is anticipated that the impact of the pay award will be contained within existing budget provision.

An underspend of £0.048m is reported against employee costs:

Underspend of £0.048m due to vacancies above the 2% vacancy factor, offset by pressures due to the appointment of temporary resources to cover vacancies.

2.3 Fees and Charges

2.3.1 £4.793m has been received in Fees and Charges income during 2025/2026 to date against a budget of £4.727m, a variance of £0.066m.

The significant variance forecast for the year end is:

- Gain in Planning income £0.095m (see 2.2.3 for details)
- Gain in Commercial Waste Services income £0.019m (see 2.2.1 for details)
- Gain in Supplementary Services – Big Bin Hire income £0.004m and Bulky Waste Collection income £0.014m (see 2.2.1 for details)
- Shortfall in Crematorium income £0.069m (see 2.2.1 for details)
- Shortfall in Housing Standard income £0.032m (see 2.2.2 for details)
- Shortfall in Land Based Administration income £0.014m (see 2.2.3 for details)
- Shortfall in Street Cleansing income £0.012m (see 2.2.3 for details)

2.3.2 Amendment to Fees and Charges Schedule 2026/2027

a) Licensing – Primate Licence (non-statutory)

Animal Welfare (Primate Licences) England Regulations 2024 comes into force on the 1st of April 2026 and as such the Council must ensure that all private primate keepers in England hold a licence, effectively banning the keeping of primates in improper, domestic, pet-like conditions. Licensed keepers must meet strict, species-specific welfare standards, with inspections by local authorities. Non-compliance can result in unlimited fines or removal of the animal.

Councils are responsible for issuing licences and inspecting, with penalties for illegal keeping. A vet or other suitably qualified person will be required to inspect with an officer of the council; this is a very similar process to dog breeding and hiring out horses' licences and we propose a fee similar to that applied to those licences which from April 26 will be £463. VAT is not applicable to this fee.

As it stands there is one application that we know will be made after the 1st April 2026.

Prosperous Communities Committee		Licensing					
NON STAT	Primate Licence [New or Renewal + vet fee]	2025/26	Proposed Increase / (Decrease)	2026/27	VAT Amount	2026/27 Charge Inc. VAT	VAT Rate
		£	% Type or £	£	£	£	
				£463.00	£0.00	£463.00	OS

2.4 Use of and Contribution to Reserves – Net Movement to Reserves £0.041m

2.4.1 Use of Reserves – Delegated Decision - £0.051m

The Chief Finance Officer has used delegated powers to approve the use of earmarked reserves up to £0.050m.

Use of Reserves for 2025/2026

- £0.004m from the Property Asset Fund Reserve. Expenditure to support changes at the Guildhall ready for the implementation of the new meeting room equipment, plus a new desk in reception and a power/data pole.
- £0.027m from the ICT reserve. Contribution towards the one-off cost for Flare Licences for Building Control.

Use of Reserves for 2026/2027

- £0.020m from the Environmental and Climate Change reserve. Revenue costs to support the delivery of the Environment and Sustainability strategy. This use of Earmarked Reserve has been drawn down into the service in 2026/2027 through the MTFP.

2.4.2 Contribution to Reserves – Delegated Decision - £0.010m

The Chief Finance Officer has used delegated powers to approve the contribution to earmarked reserves up to £0.050m.

- £0.010m to the Vehicle Replacement Reserve. Proceeds from the sale of six obsolete operational service vehicles. The total income received to be transferred to the Vehicle Replacement Reserve for future investment in replacement vehicles.

2.5 Grants

As of 1st April 2025, we had an amount of £1.169m relating to grants received which had yet to be expended. Budget provision will be created throughout the financial year as required to deliver projects in accordance with grant terms. The forecast balance as of 31st March 2026 is £0.665m.

The spend eligibility deadline for both UK Shared Prosperity Fund (UKSPF) and Rural England Prosperity Fund (REPF) was previously 31st of March 2026, this has been extended to the 30th of September 2026. Costs must be related to activity that takes place on or before the 30th of September 2026. As schemes were progressing in West Lindsey, this is unlikely to have a significant impact but will provide more time to ensure the grant will be fully utilised. An update on the UKSPF is provided at [Appendix 3](#).

2.5.1 Successful Grant Bids and New Grant determinations

The following grants have been received/awarded during this period:

Grant Issued By	Name of Grant	£
Department for Work & Pensions (DWP)	Rent Allowance	2,358,795
Department for Environment, Food & Rural Affairs (DEFRA)	Extended Producer Responsibility Grant	654,614
Department for Levelling Up, Homes and Communities (MHCLG)	Funding Floor	146,517
Department for Levelling Up, Homes and Communities (MHCLG)	New Home Bonus	124,839
Lincolnshire County Council	Household Support Fund	112,628
Department for Environment, Food & Rural Affairs (DEFRA)	Food Waste Grant	81,122
Department for Levelling Up, Homes and Communities (MHCLG)	Recovery Grant	76,191
Midlands Neyt Zero Hub (MNZH)	Warm Homes Local Grant	68,550
National Heritage Lottery	Townscape Heritage (THI)	66,096
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	53,346
Department for Levelling Up, Homes and Communities (MHCLG)	Housebuilding Support Fund Grant	48,000
Department for Levelling Up, Homes and Communities (MHCLG)	National Insurance grant	31,075
Department for Levelling Up, Homes and Communities (MHCLG)	Renters Rights Grant	28,627
Department for Levelling Up, Homes and Communities (MHCLG)	Revenue Support Grant	22,952
Lincolnshire County Council	Homes For Ukraine	8,474
Department for Work & Pensions (DWP)	Rent Rebate	1,686
Home Office	Asylum Dispersal Grant	1,600
Department for Environment, Food & Rural Affairs (DEFRA)	Taxi Database	597
Department for Work & Pensions (DWP)	ATLAS IT	523
Department for Environment, Food & Rural Affairs (DEFRA)	Animal Welfare	208
		3,886,440

Income and expenditure budgets will be created to reflect the grant being received and spend activity where applicable.

Other Items for information

2.6 Planning Appeals

In Quarter 3 2025/2026, to the end of December 2025, there were five appeals determined – four of which were dismissed and one appeal was allowed.

There is one live application for costs awaiting decision. Appeal costs are not budgeted for and therefore any costs allowed will be a direct loss to the Council.

Period	Number of Appeals	Allowed	Dismissed
October	2	0	2
November	1	0	1
December	2	1	1
Total for Quarter 3	5	1	4

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 3 2025/2026 Monitoring Report

At the end of December 2025, there was a total of £0.180m outstanding debt in the system over 90 days. Much of this debt was over 150 days old (94%) and comprised of:

- Housing £0.048m
- Environmental Services £0.039m
- Property Services £0.035m
- ICT £0.013m
- Building Control £0.013m

For each of these areas the debt recovery process is under way for all debt over 90 days, payment plans are being put in place where possible.

The level of outstanding debt for the same period 2024/2025 is provided below for information:

2024/2025 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2025/2026 Total £
231,309	Quarter 1 - ending May 2025	2,921	14,696	192,303	209,920
233,728	Quarter 2 - ending Sept 2025	50,549	27,313	169,298	247,160
177,446	Quarter 3 - ending Dec 2025	8,526	2,182	169,260	179,967

2.8 Changes to the Organisation Structure

2.8.1 Commercial Services –

New Events officer. This is a new permanent post.

Development officer (Culture). A fixed term post has been made permanent.

These posts were approved by Corporate Policy and Resources committee on the 13th of November 2025. They will be partly funded from the budget provision for cultural officers allocated within the Budget Pressure Contingency budget, with a pressure of c£0.050m from 2027/2028.

2.8.2 Homelessness Prevention/Relief - Homelessness Prevention officer. A fixed term post has been made permanent. This post will be funded from Asylum and Homelessness Grants, with no impact on the MTFP.

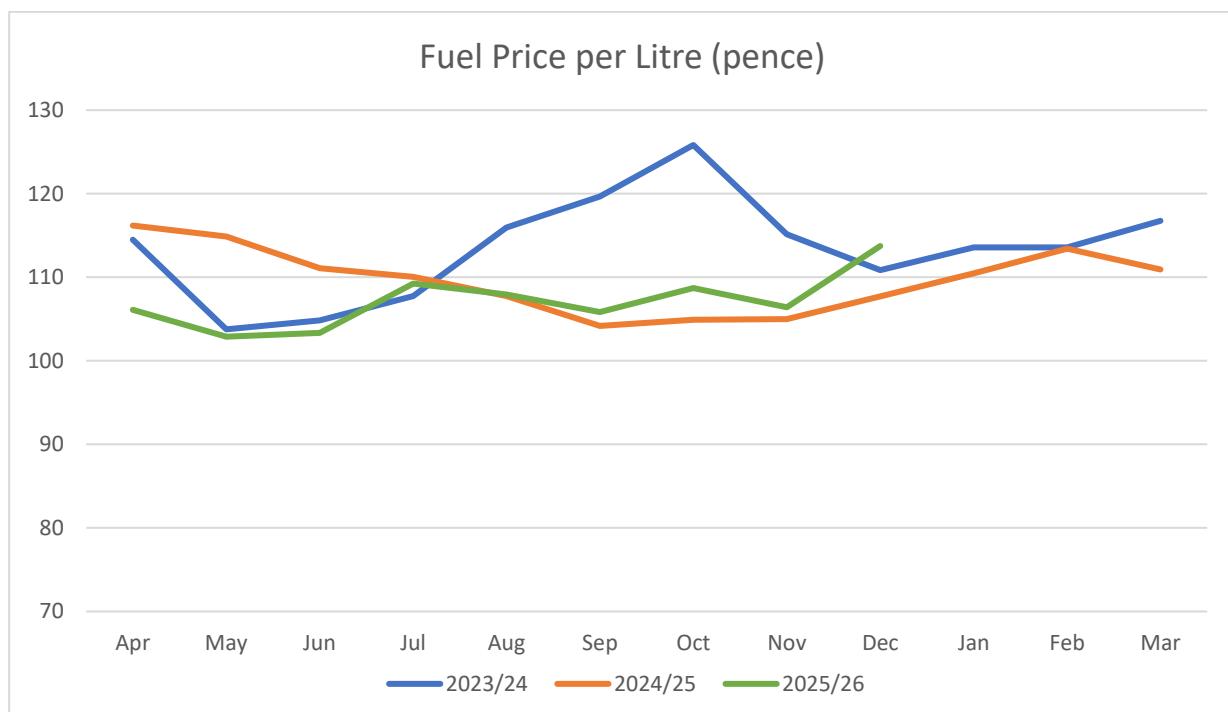
2.8.3 Markets - Market Erectors. Four new permanent posts. These posts will be funded by reducing the service agency budget, with no impact on the MTFP.

2.9 Fuel

2.9.1

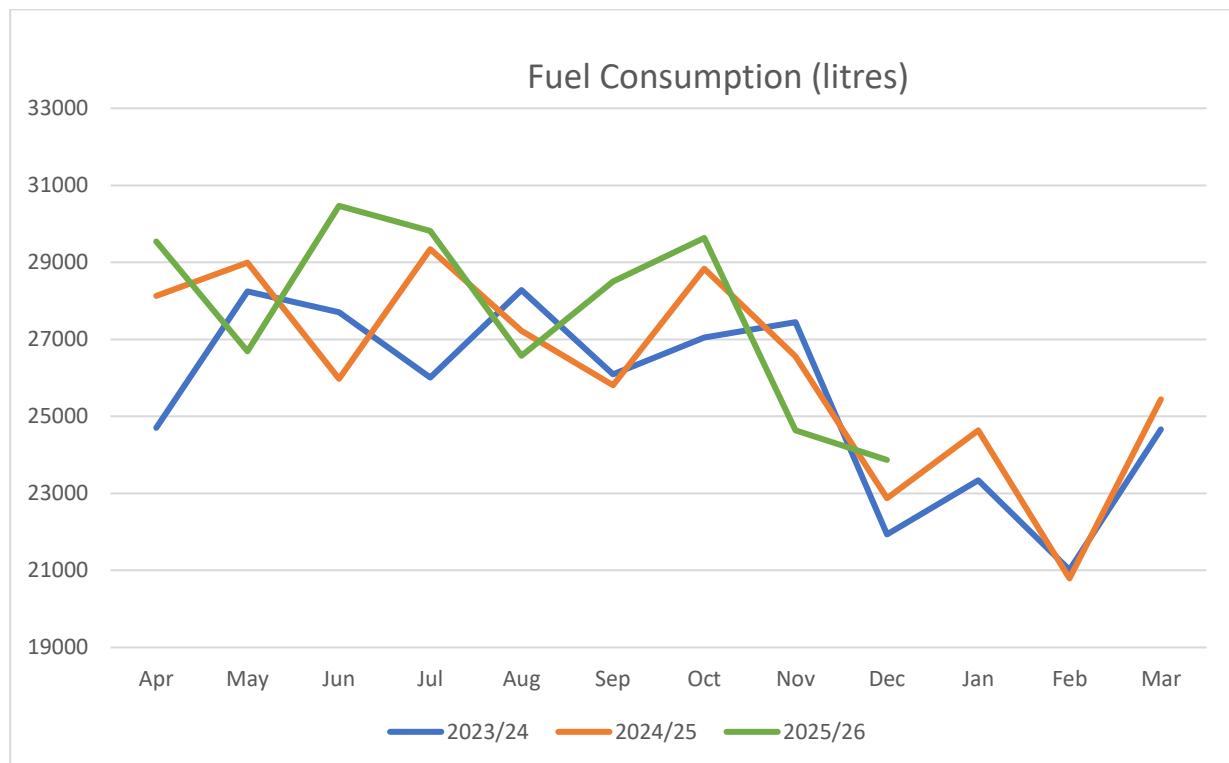
The chart below shows the actual price paid per litre of fuel, in pence, for each year from 2023/2024 to 2025/2026.

The prices shown for 2025/2026 are actuals to date, for the period April to December 2025, at an average of £1.07 per litre. The average price paid per litre during 2024/2025 was £1.10.



2.9.2 The chart below show the actual volume of fuel purchased, in litres, for each year from 2023/2024 to 2025/2026. The volumes shown for 2025/2026 are actuals to date, for the period April to December 2025.

There is a drop in fuel purchased December to February, which reflects the pause in Garden Waste collections.



3.1 CAPITAL UPDATE – Quarter 3 2025/2026

3.1.1 The Capital Budget forecast out-turn is £8.757m against a revised budget of £13.974m. This results in a variance (underspend) of £5.217m.

This is made up of:

- £0.052m net underspend
- £0.017m movement of budget to revenue
- £5.148m requested carry forward to 2026/2027

The above will be reviewed and actioned at year end through the final outturn report for 2025/2026.

3.1.2 Individual Schemes are detailed in the table contained within the report at **Appendix 1** with commentary provided on performance.

3.2 Forecast Capital Outturn 2025/2026

The detailed capital monitoring table is included within the report at **Appendix 1**. The variances relate to the following schemes and any amendments to capital schemes will be actioned at year end following completion of the Outturn report:

3.2.1 Scheme Underspends - £0.052m

- **Firewall Upgrade & Replacement** - Procurement completed with actual capital costs less than anticipated. Underspend of £0.016m.
- **Civic Car Replacement** - Report proposing the sale of the civic car was approved by Corporate Policy and Resources committee on the 11th December 2025. The sale is now complete with proceeds of £0.016m being held in capital receipts. Underspend against the capital scheme of £0.030m.
- **Home Upgrade Grant Phase 2** - small underspend of £0.001m after reconciliation of the scheme.
- **Vehicle Replacement Programme** – There is one Bulky Waste vehicle pending which is due to arrive February 2026. Underspend of £0.005m.

3.2.2 Movement of budgets to revenue - £0.017m

- **Member ICT Provision** - ICT Membership equipment will now be a revenue cost due to the low value of the equipment purchased. £0.017m to be moved to revenue.

3.2.3 Carry Forward Budgets to 2026/2027 - £5.148m

- **Purchase of RAF Scampton** – the sale of Scampton is not expected to complete until September 2026. Carry forward £4.750m to 2026/2027.
- **ERP Systems Phase 2** - Income management is the only live project, so retain

£0.050m in 2025/2026. Balance of £0.348m to be carried forward to 2026/2027 for future systems improvements, to be confirmed in 2026/2027.

- **5-7 Market Place Redevelopment**- Awaiting confirmation of final account figure. Timescales unknown. Carry forward £0.045m to 2026/2027.
- **Contact Centre** - AI Phase still to be completed. Carry forward £0.002m to 2026/2027.
- **Desktop Refresh**- Orders complete for 2025/2026 carry forward £0.003m to 2026/2027.

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made the following acquisitions during Quarter 3 which have been added to the asset register:

Asset	Acquisition Date	Capital Scheme	Acquisition Amount £
29 Brewster Road, Gainsborough	17/10/2025	Local Authority Housing Fund - Temporary Accommodation	79,018
Guildhall - generator	26/11/2025	Capital Enhancements to Council Properties	27,140
28 Warren Close Gainsborough	08/12/2025	Local Authority Housing Fund - Temporary Accommodation	72,503
2 Waverley Mews, Market Rasen	15/12/2025	Local Authority Housing Fund - Temporary Accommodation	131,250
			309,911

3.3.2 The Council has processed disposals of the following assets during Quarter 3:

Asset	Disposal Date	Processed Date	Disposal Amount £
VN17 DNO Elite 6 6x2 26 Ton RCV	30/09/2025	20/10/2025	2,000
WM68 HCG Tipper	30/09/2025	20/10/2025	1,500
WM68 HCD Tipper	30/09/2025	20/10/2025	1,250
VE18 JPF Elite 6 6x2 26 Ton RCV	30/09/2025	20/10/2025	2,250
Trinity Arts Centre - portable staging	15/12/2025	17/12/2025	1,833
			8,833

3.3.3 Capital Receipts (>£0.010m)

No capital receipts were received in 2025/2026 at the end of Quarter 3.

4. TREASURY MONITORING – Quarter 3 (October to December 2025)

The Treasury Management Strategy Statement (TMSS) for 2025/2026, which includes the Annual Investment Strategy, was approved by the Council on 3rd March 2025. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.1 Officers can confirm that there have been no breaches of Prudential Indicators as detailed at 4.9 below.

4.2 Interest received October to December had an average yield of 4.107% (including CCLA) and 4.019% (excluding CCLA). The Council budgeted to receive £0.519m of investment income during 2025/2026, £0.603m is forecast to be achieved for 2025/2026 as at the end of December.

4.3 Interest Rate Forecasts

The Council's treasury advisors, MUFG, have provided the following forecasts:

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	

Appendix 2 details MUFG commentary on the economy and interest rate forecasts.

4.4 Investments

The Council held investments of £15.580m on 31 December 2025. The table below details these investments for Quarter 3:

	Qtr. 3
Investments at Qtr. 3 (Dec 25)	£'m
LGIM Money Market Fund	6.880
CCLA Money Market Fund	5.500
Local Authority	2.000
Lloyds Bank Deposit Account	0.200
CCLA Property Fund	1.000
Insight Money Market Fund	0
Total	15.580

4.5 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £1m (of an approved £4m). Interest is receivable on a quarterly basis.

4.6 New External Borrowing

No new external borrowing was taken between October to December 2025.

The Council's total external borrowing remains at £19.0m.

A further £5.0m will be borrowed during Quarter 4, January to March 2026.

4.7 Total Prudential Borrowing at Quarter 3

	Qtr. 3
Prudential Borrowing	£'m
Total External Borrowing	19.000
Total Internal Borrowing	16.251
Total Prudential Borrowing	35.251

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31 December 2025.

4.9 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy (TMS).

During the financial year to date the Council has operated within these treasury and prudential indicators and in compliance with the Council's Treasury Management Practices.

The prudential and treasury Indicators are shown below:

	Original £'m	Qtr. 3 £'m
Treasury Indicators		
Authorised limit for external debt	40.000	40.000
Operational boundary for external debt	35.000	35.000
External Debt Investments	24.000 (13.000)	24.000 (15.580)
Net Borrowing	11.000	8.420
Prudential Indicators		
Capital Expenditure	13.383	8.758
Capital Financing Requirement (CFR)	35.251	35.251
<i>Of Which is Commercial Property</i>	18.661	18.661
Annual change in CFR*	(0.834)	(0.834)
External Debt	24.000	24.000
Under/(over)borrowing	11.251	11.251
Ratio of financing costs to net revenue stream*	8.94%	7.54%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£2.08

APPENDIX 1 – Capital Investment Programme 2025/2026

Cluster/Scheme	Stage	Actuals	Base Budget	Revised Budget incl. Contingency	Forecast Outturn	Over/ (Under) Spend	Carry Forwards/ Drawbacks	Narrative	Expected Completion Date	Contingency Forecast Outturn	Contingency Budget
		£	£	£	£	£	£			£	£
Corporate											
Firewall upgrade & Replacement	Stage 1	0	35,200	35,200	19,600	(15,600)	0	Procurement completed. Actual capital costs less than anticipated.	31/08/2025	0	0
Our Council											
Capital Enhancements to Council Properties	BAU	109,725	125,000	430,600	430,600	0	0		BAU	0	0
Carbon Efficiencies - Street Lights	Stage 3	0	180,000	210,000	210,000	0	0		Multi year	0	0
Civic Car Replacement	Pre Stage 1	0	0	30,000	0	(30,000)	0	CP&R meeting on 11/12/25 approved the sale of the civic car - car will be sold in early new year with proceeds held in capital receipts.	31/03/2026	0	0
Contact Centre	Stage 2	0	0	2,100	0	0	(2,100)	AI Phase still to be completed. Funding will be transferred from CRM system scheme once the cost are known. Carry forward £2.1k to 2026/27.	31/03/2026	0	0
CRM System	Stage 3	0	0	95,400	95,400	0	0		31/03/2026	0	0
Desktop Refresh	BAU	12,321	12,100	14,900	12,300	0	(2,600)	Orders complete for 2025/26 carry forward £2.6k to 2026/27.	31/08/2026	0	0
ERP Systems Phase 2	Stage 2	6,270	200,000	398,400	50,000	0	(348,400)	Income management is the only live project, so retain £50k in 2025/26. Balance of £348.4k to be carried forward to 2026/27 for future systems improvements, to be confirmed in 2026/27.	31/03/2028	0	0
Guildhall Meeting Room equipment	Stage 3	0	0	11,900	11,900	0	0		31/03/2026	0	0
Member ICT Provision	Stage 3	0	0	16,700	0	(16,700)	0	ICT Membership equipment will be revenue cost due to value.	31/10/2025	0	0
Northgate Replacement/Upgrade	Pre Stage 1	0	30,000	30,000	30,000	0	0		31/03/2026	0	0
Our People											
1.1 Flagship Community Grants Programme	Stage 3	117,340	0	303,700	303,700	0	0		31/03/2026	0	0
Changing Places Unit	Stage 3	0	0	100,000	100,000	0	0		31/03/2026	0	0
Disabled Facilities Grants	BAU	629,072	736,200	983,200	983,200	0	0		BAU	0	0
Grange Farm - Community Supported Living	Stage 3	100,000	100,000	200,000	200,000	0	0		31/03/2026	0	0
Home Upgrade Grant Phase 2	Stage 3	1,319,261	0	1,319,300	1,318,307	(993)	0	Project now complete.	31/07/2025	0	0
Local Authority Housing Fund - Resettlement	Stage 3	379,010	410,700	379,000	379,010	10	0		31/03/2026	0	0
Local Authority Housing Fund - Temp Accommodation	Stage 3	472,461	385,500	872,900	872,900	0	0		31/03/2026	0	0
Parks Fund Project	Stage 3	0	0	47,500	47,500	0	0		31/03/2026	0	0
Warm Homes Local Grant	Stage 3	0	0	400,000	400,000	0	0		31/03/2026	0	0
Our Place											
1.3 Town Centre Regeneration	Stage 3	104,485	0	185,300	185,300	0	0		31/03/2026	0	0
1.3 Town Centre Regeneration- commercial premises grant	Stage 3	0	0	289,700	289,700	0	0		31/03/2026	0	0
5-7 Market Place Redevelopment	Stage 3	0	44,900	44,900	0	0	(44,900)	Awaiting confirmation of final account figure. Timescales unknown.	unknown	0	44,900
CCTV Expansion	Stage 3	0	0	18,400	18,400	0	0		31/03/2026	0	0
Food Waste Collection	Stage 2	220,000	80,000	333,600	333,600	0	0		31/03/2026	0	0
Gainsborough Heritage Regeneration	Stage 3	116,711	365,746	184,546	184,546	0	0		30/09/2026	0	0
Hemswell Cliff Investment for Growth	Stage 2	74,042	104,670	104,670	104,670	0	0		31/03/2026	0	0
Market Rasen 3 year vision	Stage 3	574	0	600	574	(26)	0		30/09/2026	0	0
Purchase of RAF Scampton	Stage 2	0	4,750,000	4,750,000	0	0	(4,750,000)	Sale of Scampton is not expected to complete until Sept 2026. Carry forward £4.75m to 2026/27.	30/09/2026	0	0
Shop Front Improvement	Stage 3	5,000	22,900	5,000	5,000	0	0		30/09/2026	0	0
Thriving Gainsborough - Cinema	Stage 3	1,173,747	0	691,100	691,100	0	0		30/06/2025	0	0
Thriving Gainsborough - Market Place/Streetscape	Stage 3	46,073	150,000	222,500	222,500	0	0		30/09/2025	0	0
Thriving Gainsborough - Pocket Park	Stage 3	0	13,800	24,200	24,200	0	0		11/04/2025	0	0
Thriving Gainsborough - Resources	Stage 3	0	0	56,100	56,100	0	0		30/06/2025	0	0
Thriving Gainsborough - Townhall THI	Stage 3	9,027	0	9,900	9,900	0	0		31/12/2025	0	0
Thriving Gainsborough - Whitton Gardens	Stage 3	185,124	250,000	444,200	444,200	0	0		30/05/2025	0	0
Unlocking Housing (LoS)	Stage 3	69,591	0	69,600	69,591	(9)	0	Project completed.	31/08/2025	0	0
Vehicle Replacement Programme	BAU	581,024	595,900	659,000	653,700	(5,300)	0	The only outstanding vehicle purchase is the replacement of the Bulky Waste vehicle. This is due to arrive February 2026.	BAU	0	0
Total Capital Programme Gross Expenditure		5,730,859	8,592,616	13,974,116	8,757,498	(68,618)	(5,148,000)			0	44,900

APPENDIX 2 – MUFG Economics Update and Interest Forecast as of 31 December 2025

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 3m^{yy} 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 Forecast

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.

APPENDIX 3 – UK Shared Prosperity Fund (UKSPF) Update Qtr. 3 2025/2026

Progress: All elements (five) of WLDC's 2025/2026 UKSPF/REPF programme are live and progressing to both planned delivery and spend profiles. We have already met/exceeded forecast outputs/outcomes for a number of programme elements and we expect to be able to report significant spend and outputs to North East Lincolnshire Council (local accountable body) for Qtr. 3 2025/2026 across all five measures. As such there are currently no delivery/spend risks with regards to our programme.

Forward Look: Government have confirmed an extension of the 2025/2026 UKSPF/REPF programme spend window from 31/03/26 to 30/09/26 (this is a spend extension only and does not include any new funding allocations). Although the majority of WLDC delivery will be completed by 31/03/26, should any of our partner authorities (Greater Lincolnshire) have any 2025/2026 programme underspends (this is very unlikely given the Government's spend extension), we have identified WLDC programme extensions (to approved activity) worth c.£0.145m which could utilise any partner underspends.

UKSPF Programme 2025/2026

Summary as at 31/12/2025

Project	Grant	Match Funding	Total Funding	Actuals (Grant Funded)	Actuals (Match Funded)	Commitments	Balance
	£	£	£	£	£	£	£
1.1 Flagship Community Grant Programme - Grant (UKSPF)	22,500	150,000	172,500	17,495	26,372	59,574	69,059
1.2 Support Arts, Sport and Active Leisure	20,000		20,000	1,018			18,983
1.3 Town Centre Regeneration	140,000		140,000	56,092		79,879	4,029
2.1 Flagship WL Business Support Programme	40,000		40,000	28,050		11,950	0
2.3 Growing innovation	50,000	100,000	150,000			150000	0
Administration	27,474		27,474	27,474			0
	299,974	250,000	549,974	130,128	26,372	301,403	92,071

Revenue (ex Match Funding & Administration)

Project	Grant	Actuals	Commitment	Balance
	£	£	£	£
1.1 Flagship Community Grant Programme - Grant (UKSPF)	22,500	17,495	5,000	5
1.2 Support Arts, Sport and Active Leisure	20,000	1,018		18,983
1.3 Town Centre Regeneration	140,000	56,092	79,879	4,029
2.1 Flagship WL Business Support Programme	40,000	28,050	11,950	0
2.3 Growing innovation	50,000		50,000	0
	272,500	102,654	146,829	23,017

Capital

Project	Grant	Actuals	Commitment	Balance
	£	£	£	£
1.1 Flagship Community Grant Programme - Grant (UKSPF)	65,000	29,140		35,860
1.1 Flagship Community Grant Programme - Grant (REPF)	238,694	88,200	59,980	90,515
1.3 Town Centre Regeneration	475,000	104,485	20,250	350,265
	778,694	221,825	80,230	476,639