



**Corporate Policy and
Resources Committee**

Thursday, 14 November 2024

**Subject: Budget and Treasury Monitoring - Quarter 2 2024/2025 (1st April
2024 to 30th September 2024)**

Report by:

Director of Corporate Services

Contact Officer:

Sue Leversedge
Business Support Team Leader

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1st April 2024 to 30th September 2024.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a £0.160m net contribution to reserves as of 30th September 2024 (see Section 2) relating to revenue activity.
- b) Members approve the contribution to Earmarked Reserves - £0.125m (2.4.1)
- c) Members accept the use of Earmarked Reserves approved by the Chief Finance Officer using Delegated powers (2.4.2).
- d) Members accept the contributions to Earmarked Reserves approved by the Chief Finance Officer using Delegated powers (Section 2.4.3).

- e) The Committee approves the amendments to the fees and charges schedules for 2024/2025 (2.3.2 and Appendix 5* *commercially sensitive*).

CAPITAL

- f) Members accept the current projected Capital Outturn position of £27.601m (Section 3).
- g) Members approve the amendments to the Capital Schemes as detailed in 3.2.

TREASURY

- h) 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/74/25/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2024/2025 is a net contribution to reserves (underspend) of £0.160m relating to revenue activity as of 30th September 2024.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2024/2025		
	£ 000	
OUTTURN AS AT 30.09.24	(250)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-PREVIOUSLY APPROVED	22	ALREADY APPROVED
SUB-TOTAL:	(228)	
CARRY FORWARDS : SERVICE REQUESTS	68	Pending approval by Management Team March 2025
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	(160)	
TOTAL CARRY FORWARDS:	90	

The forecast General Fund Balance as of 31st March 2025 is £2.361m (excluding carry forwards). This is £0.361m above the minimum working balance of £2.0m agreed by this Committee.

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

CAPITAL

The capital programme forecast outturn for 2024/2025 is expenditure of £27.601m against a revised budget of £32.597m, a variance of £4.996m.

The amendments to the 2024/2025 capital scheme are detailed at 3.2.

TREASURY

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £19.0m.

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

Average investments for the quarter 2 (July - September) were £22.040m, which achieved an average rate of interest of 5.185% (April - June was 22.478m, 5.251%).

Staffing:

Salary budgets 2024/2025 were based on an estimated 3.5% pay award across all scale points.

There are 4 separate negotiations for pay award:

1. Chief Officer Pay – agreement reached 22nd July 2024 at 2.5%
2. Chief Executive Pay – agreement reached 23rd October 2024 at 2.5%
3. Locally Determined Pay Points - agreement reached 23rd October 2024 at 2.5%
4. NJC Local Government Staff – agreement reached 23rd October 2024 as follows:

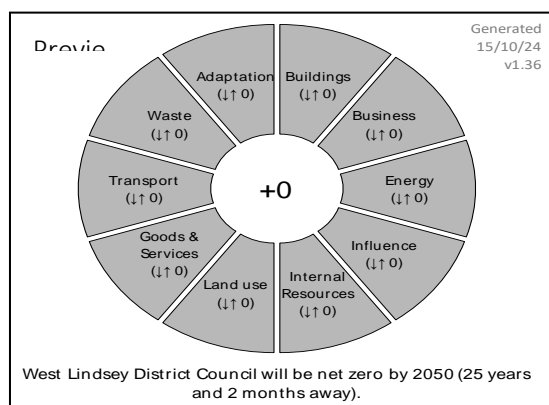
- With effect from 1 April 2024, an increase of £1,290 (pro-rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.
- With effect from 1 April 2024, an increase of 2.5% on all pay points above the maximum of the pay spine but graded below deputy chief officer.
- With effect from 1 April 2024, an increase of 2.5% on all allowances.

Whilst the agreed pay award is an average of 3.5% across all scale points which is the increase built into the 2024/2025 MTFP, due to the weighting of the proposal there would be additional cost of £0.029m when compared to the budgeted amount.

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 2 2024/2025 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves **£0.160m**. (-0.87% 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 30th September 2024.
 2. Link Asset Services Updated Interest Rate Forecast 30 September 2024.
 3. Link Treasury Services Monthly Investment Analysis Review September 2024.
 4. UK Shared Prosperity Fund (UKSPF) Update Qtr. 2 2024/2025.
 5. Building Control fees amendment 2024/2025 **Commercially sensitive*

CAPITAL

- Capital Forecast Out-Turn: £27.601m against a revised budget of £32.597m, resulting in a variance of **£4.996m**.
- £4.327m being net underspends on scheme budgets, and £0.669m carry forwards to 2025/2026.

Members are asked to note:

- Underspend on schemes of £4.327m detailed at 3.2.1
- Carry forward budgets to 2025/2026 of £0.669m detailed at 3.2.2

Underspends	£m
Chamber Equipment Refresh	(0.010)
Home Upgrade Grant Phase 2	(4.274)
Supported Accommodation (LEAP)	(0.043)
Total	(4.327)

Carry Forwards into 2025/2026	£m
Carbon Efficiencies - Street Lights	(0.143)
Gainsborough Heritage Regeneration	(0.366)
Capital Enhancements to Council Properties	(0.075)
Vehicle Replacement Programme	(0.085)
Total	(0.669)

Movement of Budgets between Schemes	£m
From	
Thriving Gainsborough - Whitton Gardens	(0.092)
Thriving Gainsborough - Living Over The Shops	(0.127)
To	
Thriving Gainsborough - Pocket Park	0.092
Thriving Gainsborough - Townhall THI	0.127

Variance Against Revised Budget	(4.996)
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- Movement of budgets already approved and actioned between Qtr. 1 and Qtr. 2 are detailed at 3.2.3

Capital Programme	Chief Finance Officer and relevant Director/Assistant Director approves amendment to Capital Programme	Up to £25,000
Capital Programme	Chair of Corporate Policy & Resources Committee, Director/Assistant Director and Chief Finance Officer approves amendments to Capital Programme	Over £25,000

Movement of Budgets between Schemes (already processed)	£m
From	
Thriving Gainsborough - Whitton Gardens	(0.092)
Thriving Gainsborough - Living Over The Shops	(0.127)
To	
Thriving Gainsborough - Pocket Park	0.092
Thriving Gainsborough - Townhall THI	0.127

Underspends (already processed)	£m
Chamber Equipment Refresh	(0.010)
Total	(0.010)

- Further comments on capital works detailed at 3.2.4

TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 30th September 2024 were:
 - Average investment interest rate for April to September was 5.218%.
 - Total Investments at the end of Quarter 2 were £21.708m.

The tables below reflect the movement on our investments and borrowing in Quarter 2:

Investment Movements	Qtr. 2 £'m
Investments B/fwd. (at 01.07.2024 including cash held at bank)	20.514
(Less) Net Capital expenditure/ Funding received	0.496
Add PWLB/Other LA Borrowing in year	5.000
Add/(Less) Net Revenue Expenditure	(13.053)

Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	8.809
Investments carried forward (at Period end)	21.766

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 30th of September 2024. 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.2
Prudential Borrowing	£'000
Total External Borrowing (PWLB)	14,000
Other Local Authorities	5,000
Internal Borrowing	17,070
Total Prudential Borrowing at 30.09.2024	36,070

FINAL REVENUE BUDGET OUTTURN 2024/2025

2. The Revenue budget forecast out-turn for 2024/2025 currently stands at a net contribution to reserves of **£0.160m** 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 Cfws £	Carry Forwards £	Outturn Variance after Cfws £
Our Council	8,224,800	8,742,547	8,800,781	58,234	35,600	93,834
Our People	1,715,100	1,791,800	1,904,224	112,424	0	112,424
Our Place	4,705,100	4,986,800	4,876,127	(110,673)	54,600	(56,073)
Covid 19 Business Support Grants	0	0	(3,900)	(3,900)	0	(3,900)
Grand Total	14,645,000	15,521,147	15,577,232	56,085	90,200	146,285
Interest Receivable	(658,200)	(692,200)	(947,000)	(254,800)	0	(254,800)
Investment Income - Property Portfolio	(1,568,400)	(1,568,400)	(1,570,854)	(2,454)	0	(2,454)
Drainage Board Levies	531,900	531,900	531,900	0	0	0
Parish Precepts	2,700,700	2,700,700	2,700,700	0	0	0
Interest Payable	692,700	692,700	678,000	(14,700)	0	(14,700)
MRP/VRP (repayment of borrowing)	959,300	959,300	959,300	0	0	0
Net Revenue Expenditure	17,303,000	18,145,147	17,929,278	(215,869)	90,200	(125,669)
Transfer to / (from) General Fund	(52,700)	(956,000)	(956,000)	0	0	0
Transfer to / (from) Earmarked Reserves	1,248,600	1,352,453	1,352,453	0	0	0
Amount to be met from Government Grant or Council Tax	18,498,900	18,541,600	18,325,731	(215,869)	90,200	(125,669)
Funding Income						
Business Rate Retention Scheme	(5,796,700)	(5,796,700)	(5,796,700)	0	0	0
Collection Fund Surplus - Council Tax	(290,000)	(290,000)	(290,000)	0	0	0
Parish Councils Tax Requirement	(2,700,700)	(2,700,700)	(2,700,700)	0	0	0
New Homes Bonus	(845,300)	(845,300)	(845,300)	0	0	0
Other Government Grants	(1,113,900)	(1,111,900)	(1,145,900)	(34,000)	0	(34,000)
Council Tax Requirement	(7,752,300)	(7,752,300)	(7,752,300)	0	0	0
TOTAL FUNDING	(18,498,900)	(18,496,900)	(18,530,900)	(34,000)	0	(34,000)
Balanced Budget / Funding Target	0	44,700	(205,169)	(249,869)	90,200	(159,669)

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. £29k impact of pay award, (£56k) underspend arising from vacancies offset by pressures due to temporary resources appointed to cover vacant posts.	(£27)	↓
Our Council / Our Place	Fuel - average price per litre to date £1.11, forecast £1.08 for remainder of year (compared to £1.14 average price per litre for the year 2023/2024).	(£99)	↑
Our Council / Our People / Our Place	Utilities - Electricity (£1k) and Gas (£29k) based on current rates and consumption.	(£30)	New
PRESSURES			
Our Council	Local Land Charges - Highways Fees payable to LCC.	£23	New
	Various forecast outturn variances <£10k	£46	↓
		(£87)	

Cluster	INCOME	Total £000	Direction of Travel From Prev. Qtr.
BUDGETED INCOME EXCEEDED			
Corporate Accounting-Interest Received and Paid	Interest Receivable (£255k), Interest Payable (£15k).	(£270)	New
Funding	Windfall Income: Government Grants - DLUHC - Internal Drainage Board Levies Support.	(£34)	New
BUDGETED INCOME NOT ACHIEVED			
Our Council	Commercial Waste income aligned to updated Business Plan approved March 2024.	£59	↑
Our People	Housing Benefits Subsidy - forecast loss of subsidy reclaimed on supported accommodation placements £153k, offset by ad hoc grants to for Housing Benefit administration (£33k).	£120	New
Our People	Wellbeing Contract - New Contract Effective from 1st Jan 2025.	£16	New
Our Place	Building Regulations - Fee Earning. Reduction in fee income.	£36	New
		(£73)	
TOTAL VARIANCE		(£160)	

2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Our Council

- **Commercial Waste** is forecasting a shortfall in income of **£0.059m**. This is reflective of the Business Plan approved by Corporate Policy and Resources committee 21st March 2024, which included an estimated £0.073m net pressure in 2024/2025. The Business Plan will be reflected in the Medium Term Financial Plan (MTFP) from 2025/2026.
- **Utilities: Gas and Electricity** An underspend of £0.001m on electricity and £0.029m on gas has been realised in year - a total saving of **£0.03m**.

For information, electricity prices are fixed until 31st October 2024 and gas prices were fixed until 31st March 2024.

- **Local Land Charges – Land Registry Fees Payable to LCC**
As part of the new Infrastructure Act, the responsibility of administering LLC1 searches has migrated to HM Land Registry. West Lindsey District Council have retained liability and responsibility for information provided from the register. The migration was implemented during 2023/2024.

In previous years' Local Land Charges provided two types of searches. One search fee has a portion that is paid over to Lincolnshire County Council (LCC). Following the migration of one type of search (the Local Land Charge search, to HM Land Registry) we are left with only the searches containing a portion of fee to be paid over to LCC. 42% of the income received is paid over to LCC resulting in a forecast pressure of **£0.023m** in 2024/2025.

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.

The impact of this is forecast to be a maximum pressure of **£0.120m** on Housing Subsidy. If a landlord became registered during the year this would be reduced.

- **Wellbeing Contract**

The Wellbeing contract has been in place since 1 April 2018 and was budgeted up to the end of 2024/2025 at the existing contract rates.

A new contract is under negotiations effective from 1st January 2025. The latest proposals would result in a pressure against the current year budgets of **£0.016m** but would be a gain for the Medium-Term Financial Plan of c£0.078m pa for five years from 2025/2026.

2.2.3 Our Place

- **Fuel** – There is a forecast underspend against fuel budgets of **£0.099m**. The average fuel price to date is £1.11 per litre, with an average price of £1.08 per litre forecast for the remainder of the year (compared to the average price paid per litre during 2023/2024 of £1.14).
- **Building Regulations-Fee Earning** – Income from building regulation fees is **£0.036m** below budget. There has been a downturn in construction nationally, partly due to cost of living and interest rates being high.
- **Nationally Strategic Infrastructure Project (NSIP)**
In 2021/2022 £0.050m bridging funding from General Fund balances (GFB) was approved to cover the advance costs of the NSIP project, to be reimbursed once Planning Performance Agreements (PPA) were signed.

£0.025m pa was drawn down from GFB in 2021/2022 and 2022/2023, which was then reimbursed during 2023/2024.

To date we have expended £0.244m on costs associated with delivering the Council's role as Host Authority for five Nationally Significant Infrastructure Projects (2023/2024 £0.073m, 2024/2025 £0.171m). The Council will be reimbursed for the majority of the expenditure through the negotiation of planning performance agreements for each scheme, three schemes are being finalised, with two schemes expected in early 2025. Income from the first three planning performance agreements should be known and can be reported in Qtr. 3. The current income estimate is £290k out of a total forecast expenditure of £330k, but this remains subject to the negotiation of the planning performance agreements.

2.2.4 Corporate Accounting

- **Interest Payable/Receivable** – Income for interest receivable is **£0.255m** above the revised budget. This is due to the current base rate being 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. There is also an underspend on the interest payable budget of **£0.015m**.

2.2.5 Funding

£0.032m has been received from the DLUHC to support Authorities with the budgetary pressure resulting from Internal Drainage Board Levies (DBL), being 6% of our total DBL liability for 2024/2025.

2.2.6 Establishment

Salary budgets 2024/2025 were based on an estimated 3.5% pay award across all scale points.

There are 4 separate negotiations for pay award:

1. Chief Officer Pay – agreement reached 22nd July 2024 at 2.5%
2. Chief Executive Pay – agreement reached 23rd October 2024 at 2.5%
3. Locally Determined Pay Points - agreement reached 23rd October 2024 at 2.5%
4. NJC Local Government Staff – agreement reached 23rd October 2024 as follows:

- With effect from 1 April 2024, an increase of £1,290 (pro-rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.
- With effect from 1 April 2024, an increase of 2.5% on all pay points above the maximum of the pay spine but graded below deputy chief officer.
- With effect from 1 April 2024, an increase of 2.5% on all allowances.

Whilst the agreed pay award is an average of 3.5% across all scale points which is the increase built into the 2024/2025 MTFP, due to the weighting of the proposal there would be additional cost of £0.029m when compared to the budgeted amount.

2.3 Fees and Charges

2.3.1 £3.220m has been received in Fees and Charges income during 2024/2025 to date against a budget of £3.005m, a gain of £0.215m.

The significant variance forecast for the year end is:

- Shortfall in Commercial Waste income of £0.059m (see 2.2.1 for details)
- Shortfall in Building Control income of £0.036m (see 2.2.3 for details)

2.3.2 Amendment to Fees and Charges Schedule 2024/2025

a) Operational Services (non-statutory)

The fees schedule for wheeled bin replacement and wheeled bins for new properties be amended to include 'purple-lidded' bins in the narrative, reflecting

the addition to our wheeled bin stock of the bins for paper and card waste disposal.

Prosperous Communities Committee				Operational Services				
2024/25	Proposed Increase / (Decrease)		2025/26	VAT Amount	2025/26 Charge Inc. VAT	VAT Rate		
	% Type	or £					£	£
Wheeled Bin Replacement (supply & delivery)	Green/Black/Blue/Purple	£37.00	0.0%	£0.00	£37.00	£0.00	£37.00	OS
Wheeled Bins for New Properties (supply & delivery)	Green/Black/Blue/Purple	£37.00	0.0%	£0.00	£37.00	£0.00	£37.00	OS

b) Fixed Penalty Notices (FPN) (statutory)

A review of current FPN amounts for littering, fly-tipping and household waste duty of care was considered by Prosperous Communities Committee on the 29th of October 2024, which recommended the following amendments be made to the FPN fees schedule:

- Littering and graffiti FPNs - a £250 charge for a single item, with an early payment of £75. Along with a £350 charge for a larger item/s with an early payment of £150.
- Agree that for fly-tipping FPNS matrix set out in section 6 is adopted with a fee range from £250 to £1000.
- Agree that for household waste duty of care FPNs that the matrix set out in section 7 is adopted with a fee range of £250 to £600.

c) Building Control (Commercially Sensitive*)

Charges are considered commercially sensitive. Details of proposed amendments are provided at **Appendix 5**.

2.4 Use of and Contribution to Reserves – Net Movement to Reserves £0.115m.

2.4.1 Contribution to Reserves – Member Approval Required - £0.125m

The following contribution to Earmarked Reserves is greater than £0.05m and requires the approval of Corporate Policy and Resources committee:

- 0.125m to Project Investment Reserve. Previously approved use of reserve - Project spend for Development Management System not required and returned to the reserve.

2.4.2 Use of Reserves – Delegated Decision - £0.080m

The Chief Finance Officer has used delegated powers to approve the use of earmarked reserves up to £0.05m.

- £0.002m from Revenue Grants Unapplied. Balance of Covid Test & Trace grant no longer required.
- £0.004m from Revenue Grants Unapplied. Use of Contain Outbreak Prevention Fund (OPG) DLUHC to offset cost of agency workers.
- £0.003m from Revenue Grants Unapplied. Local Land Charges migration costs.
- £0.015m from IT Upgrade/Refresh Reserve. NEC Management Document System upgrade.
- £0.013m from Maintenance of Facilities Reserve. Revenue spend – Trent pontoon mooring inspection and works completed.
- £0.022m from Project Investment Reserve. West Lindsey Leisure Centre Feasibility Proposal.
- £0.021m from Revenue Grants Unapplied. Use of BEIS Energy Rebate Scheme grant as contribution to 2 year fixed term revenues resources.

2.4.3 Contribution to Reserves - £0.070m

- £0.022m to Vehicle Replacement reserve. Proceeds from the sale of 5 operational services vehicles.
- £0.010m to Investment for Growth. S106 funds held on Balance Sheet to be held on reserve for future community projects.
- £0.038m to Investment for Growth. Cinema deposit paid from EMR in 2021/2022, reimbursed from DLUHC Grant.

2.5 Grants

As of 1st April 2024, we had an amount of £0.706m 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 2025 is £0.485m.

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	4,009,800
Department for Levelling Up, Homes and Communities (DLUHC)	Levelling Up Fund	2,459,588
Department for Levelling Up, Homes and Communities (DLUHC)	UK Shared Prosperity Fund (UKSPF)	2,194,761
Nottingham City Council	Homes Upgrade Grant (HUG2)	1,596,197
Lincolnshire County Council	Disabled Facilities Grant	866,100
Department for Levelling Up, Homes and Communities (DLUHC)	Rural Services Delivery Grant	322,022
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	211,316
Department for Levelling Up, Homes and Communities (DLUHC)	UK Parliamentary Elections	210,148
Lincolnshire County Council	Household Support Fund	146,014
Department for Levelling Up, Homes and Communities (DLUHC)	Funding Guarantee	105,423
National Heritage Lottery	Townscape Heritage (THI)	93,490
Department for Levelling Up, Homes and Communities (DLUHC)	Revenue Support Grant	84,429
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	71,136
Department for Levelling Up, Homes and Communities (DLUHC)	Healthy Homes	65,000
Department for Levelling Up, Homes and Communities (DLUHC)	Neighbourhood Planning Grant	60,000
North Kesteven District Council	Local Energy Advice Demonstrator (LEAD)	47,560
Department for Levelling Up, Homes and Communities (DLUHC)	Electoral Integrity	13,471
Department for Work & Pensions (DWP)	Misc Housing Benefit Grants	12,731
Department for Levelling Up, Homes and Communities (DLUHC)	Storm Henk	12,500
Department for Levelling Up, Homes and Communities (DLUHC)	Service Grant	7,035
Department for Work & Pensions (DWP)	Rent Rebate	2,916
		12,591,636

2.5.2 Low Carbon Skills Fund

£0.035m fully funded consultancy support from the Salix Low Carbon Skills Fund (LCSF) has been secured for preparatory work on a low carbon heating source for the Guildhall. Funding is released upon provision of the report and copies of invoices, currently expected in February 2025.

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

Other Items for information

2.6 Planning Appeals

In Quarter 2 2024/2025, to the end of September 2024, there were thirteen appeals determined – twelve of which were dismissed, one allowed.

There is one live application for costs which is 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
June	2	0	2
July	7	0	7
August	3	0	3
September	1	1	0
Total for Quarter 2	13	1	12

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 2 2024/2025 Monitoring Report

At the end of September 2024, there was a total of £0.234m outstanding debt in the system over 90 days. Much of this debt was over 150 days old (93%) and comprised of:

- Housing £0.084m
- Environmental Services £0.002m
- Property Services £0.019m
- 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.

- Housing Benefits overpayments £0.011m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

The level of outstanding debt for the same period 2023/2024 is provided below for information:

2023/2024 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2023/2024 Total £
233,249	Quarter 1 - ending May 2024	5,145	5,541	220,623	231,309
234,208	Quarter 2 - ending Sept 2024	4,531	12,661	216,536	233,728

2.8 Changes to the Organisation Structure

2.8.1 Two new permanent posts have been created within the establishment:

- Commercial Services – Cultural Outreach Officer (band 6)
- Community Action Team – Community Officer-Sport & Physical Activity (band 9)

There is no financial impact as budget was allocated for these posts as part of the 2024/2025 budget setting process.

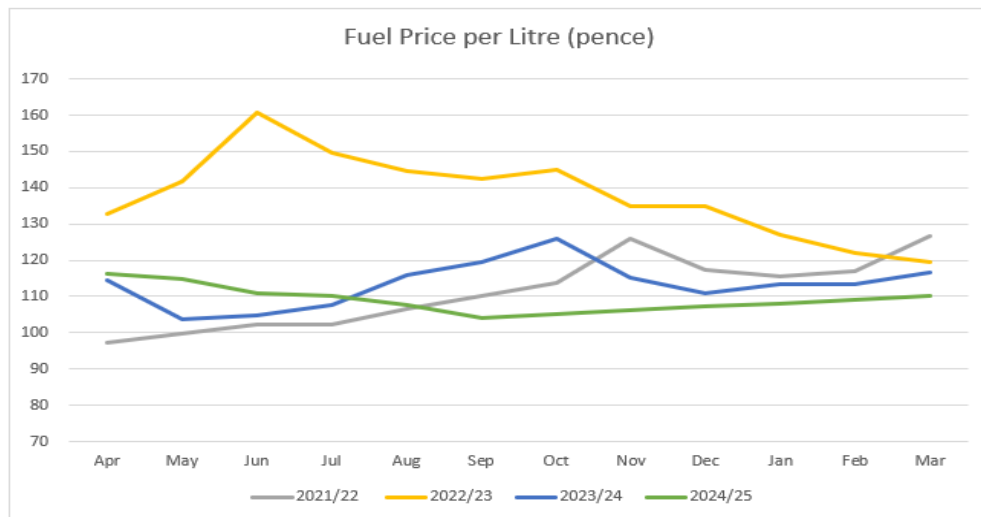
2.8.2 One new permanent post has been created within the Democratic Services Team – Democratic & Civic Officer (band 6 – 8).

There is no financial impact as ongoing savings within existing budget provision have been identified to offset the cost of this post.

2.9 Fuel

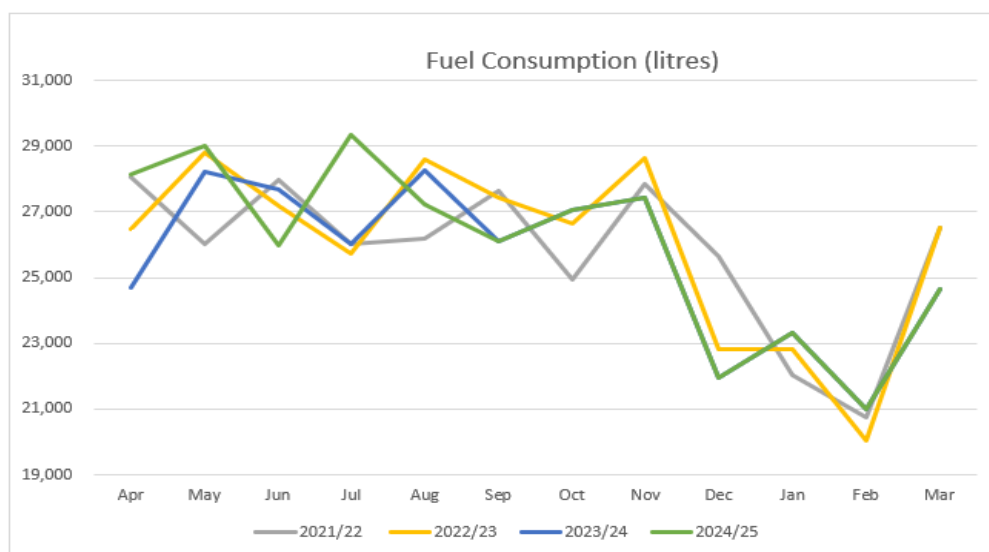
2.9.1 The chart below shows the actual price paid per litre of fuel, in pence, for each year from 2021/2022 to 2024/2025.

The prices shown for 2024/2025 are actuals to date, for the period April to September 2024, at an average of £1.11 per litre. The average price paid per litre during 2023/2024 was £1.14.



2.8.2 The chart below shows the actual volume of fuel purchased, in litres, for each year from 2021/2022 to 2024/2025. The volumes shown for 2024/2025 are actuals to date, for the period April to September 2024, with estimates for the remainder of the year based on the previous years' consumption.

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



3.1 CAPITAL UPDATE – Quarter 2 2024/2025

3.1.1 The Capital Budget forecast out-turn is £27.601m against a revised budget of £32.597m. This results in a variance (underspend) of £4.996m.

This is made up of:

- £4.327m net underspend
- £0.669m requested carry forward to 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 Capital Programme Amendments 2024/2025

The detailed capital monitoring table is included within the report at **Appendix 1**. The amendments to the following schemes are requested:

3.2.1 Net Underspend Position - £4.327m

- **Home Upgrade Grant Phase 2 (HUG2)** - Delays in initial delivery has reduced take up of scheme resulting in an underspend of £4.274m. Project due to complete 31/03/25.
- **Supported Accommodation (LEAP)** - Project delivery didn't proceed so funding from WLDC is not required. Request to remove from the capital programme £0.043m.
- **Chamber Equipment Refresh** – No longer required as current system works fine. Request to remove from the capital programme £0.010m.

3.2.2 Carry Forward Budgets to 2025/2026 - £0.669m

- **Carbon Efficiencies, Street Lights** - LED street light upgrade work will be phased over multiple financial years. Project to be broken down into manageable areas and is subject to contractor availability. At this stage the overall completion date is unknown. Carry forward £0.143m.
- **Gainsborough Heritage Regeneration** - 4 completed buildings / 11 in construction phase / 5 developing schemes - scheme to be completed by September 2025/2026. Carry forward £0.366m.
- **Vehicle Replacement Programme** - 4 RCV's received 3 caged vehicles received 2 caged vehicles to be procured. RFID (Radio Frequency Identification Device) chips spend now due in 2025/2026. 2 RCVs ordered for 2025/2026 delivery. Carry forward £0.085m.
- **Capital Enhancements to Council Properties** – Solar panel replacement budget allocation slipped into 2025/26. Carry forward £0.075m.

3.2.3 Movement of budgets already approved and actioned between QTR1 and QTR2

Movement of Budgets between Schemes (already processed)	£m
From	
Thriving Gainsborough - Whitton Gardens	(0.092)
Thriving Gainsborough - Living Over The Shops	(0.127)
To	
Thriving Gainsborough - Pocket Park	0.092
Thriving Gainsborough - Townhall THI	0.127
Underspends (already processed)	£m
Chamber Equipment Refresh	(0.010)
Total	(0.010)

£0.092m

Following a procurement process, bids have been received for both parks projects – Whittons Gardens café and Baltic Mill Pocket Park. Baltic Mill Pocket Park received only one submission, which met the quality requirements but was over budget on price. Whittons Gardens café has had an award recommendation made by an evaluation panel, for the submission which was both highest in quality *and* lowest in price. The saving within the Whittons Gardens project has been identified, and if approved is enough to move to the Baltic Mill Pocket Park to be able to award the contract and commence delivery of the scheme. A request was made to move £91,898 from the Whittons Gardens budget to the Baltic Mill Pocket Park budget to enable the project and its associated outputs to be delivered.

£0.127m

The Living Over the Shop (LOTs) Scheme and Townscape Heritage Initiative are separate initiatives but have run in parallel to support the transformation of buildings within Gainsborough Town Centre. The LOTs scheme is solely funded via the Governments Levelling Up Scheme and the Townscape Heritage Initiative has additional funding from the National Lottery Heritage Scheme.

The Townscape Heritage Scheme will work with approximately 20 building owners to refurbish the front elevation of building in Gainsborough Town Centre. To date 4 buildings have been completed.

The Living Over the Shop Scheme provides funding for the creation of residential dwellings, to date 3 dwellings have been created and further 8 are under construction.

Each scheme has its own allocated budget and separate criteria. Some building owners utilise both schemes to regenerate the internal and external elements of buildings simultaneously.

This movement seeks to transfer £127,143 from the Living Over the Shop budget from the 1st of June to Townscape Heritage Budget in order to fund applications which have been approved by Townscape Heritage Grant Panel

The requirement for government reporting doesn't go into the detail of individual funding of each scheme therefore will not be an issue, however the outputs being reduced will need to be addressed on future returns.

As we draw closer to the end of the scheme, we have greater certainty over which schemes will come forward and require funding within the allocated timeframe. The National Lottery Heritage Funding was awarded in September 2019 and later

supplemented by Levelling Up Funding. The Living Over the Shop Scheme commenced with Greater Lincolnshire Local Enterprise Funding and was later supplemented by Levelling Up Funding. Both schemes will be completed by December 31st, 2024.

£0.010m

Chamber Equipment Refresh – No longer required as current system works fine. Request to remove from the capital programme

3.2.4 Further Comments on Capital Schemes

Following the decision at CPR on 12th October 2023 to allocate a budget of £0.325m to the delivery of LUF Market Place Public Realm and market stall improvements, the Members Markets Working Group considered 3 options which included two new stall types and the refurbishment of existing stalls. It was agreed that refurbishing 50 stalls and the equipment required for the transportation and set up of the stalls was the most cost-effective option that delivers a good quality, sustainable market stall for Gainsborough Market.

The cost estimate for the refurbishment works is £0.061m. Procurement of the works is now underway and final costs will be reported back to this committee.

This work is part of the existing capital scheme budget – Thriving Gainsborough-Market Place/Streetscape.

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made no land acquisition during Quarter 2.

3.3.2 The Council has processed the disposal of the following assets during Quarter 2:

Asset	Disposal Date	Processed Date	Disposal Amount £
VA16 NWD Elite 6 6x2 26 Ton RCV	28/06/2024	05/07/2024	1,750
VA16 NVP Elite 6 6x2 26 Ton RCV	28/06/2024	05/07/2024	1,750
VN16 POH Elite 6 6x2 26 Ton RCV	28/06/2024	06/08/2024	2,400
YX53 DVW JCB Tractor 520/50	29/07/2024	04/09/2024	11,100
TAC - Portable Staging x8	21/06/2024	18/09/2024	1,833
NX67 NDF Tipper	20/08/2024	23/09/2024	5,200
			24,033

3.3.3 Capital Receipts (>£10k) - The total value of capital receipts received in 2024/2025 at the end of Quarter 2 total £0.083m:

- £0.055m from the Housing Stock Transfer Agreement share of Right to Buy receipts
- £0.017m repayments of DFG Grants
- £0.011m Sale of asset YX53 DVW JCB Tractor

4. TREASURY MONITORING – Quarter 2 (April – September 2024)

The Treasury Management Strategy Statement (TMSS) for 2024/2025, which includes the Annual Investment Strategy, was approved by the Council on 4th March 2024. 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 (April - September) has been more than the average 7-day Sterling Overnight Index Average (SONIA) (5.12%) with an average yield of 5.233% (including CCLA) and 5.158% (excluding CCLA). The Council budgeted to receive £0.651m of investment income during 2024/25.

4.3 Interest Rate Forecasts

The Council’s treasury advisors, Link Asset Services, have provided the following forecasts:

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

Appendix 2 details Link Asset Services commentary on the economy.

4.4 Investments

The Council held investments of £21.708m on 30th September 2024. The table below details these investments for Quarter 2:

Investments at Qtr. 2	Qtr. 2
	£'000
LGIM Money Market Fund	1,208

CCLA Money Market Fund	5,500
Local Authority	5,000
Lloyds Bank Deposit Account	500
CCLA Property Fund	2,000
Insight Money Market Fund	7,500
Total	21,708

4.5 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £2m (of an approved £4m). Interest is receivable on a quarterly basis.

4.6 New External Borrowing

External temporary borrowing of £5.000m was repaid in July 2024 and new external temporary borrowing was taken at £5.000m.

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

4.7 Total Prudential Borrowing at Quarter 2

	Qtr. 2
Prudential Borrowing	£'000
Total External Borrowing	19,000
Total Internal Borrowing	17,070
Total Prudential Borrowing	36,070

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 30th September 2024.

4.9 Compliance with Treasury and Prudential Limits

It is 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 and consider the revisions to the Capital Programme as detailed in section 3 of this report.

	Original £'000	Qtr. 2 £'000
Treasury Indicators		
Authorised limit for external debt	29,155	29,155
Operational boundary for external debt	24,155	24,155
External Debt	18,750	19,000
Investments	(13,000)	(13,000)
Net Borrowing	5,750	6,000
Prudential Indicators		
Capital Expenditure	30,716	27,601
Capital Financing Requirement (CFR)	36,340	36,070
<i>Of Which is Commercial Property</i>	19,099	19,099
Annual change in CFR*	(866)	(952)
External Debt Forecast	18,750	19,000
Under/(over)borrowing	17,590	17,070
Ratio of financing costs to net revenue stream*	9.55%	9.16%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£(3.30)

APPENDIX 1 – Capital Investment Programme 2024/2025

Capital Investment Programme 2024/2025

Cluster/Scheme	Stage	Actuals	Base Budget	Revised Budget incl. Contingency	Forecast Outturn	Over/ (Under) Spend	Carry Forwards/ Drawbacks	Narrative	Contingency Forecast Outturn	Contingency Budget
		£	£	£	£	£	£		£	£
Our Council										
Capital Enhancements to Council Properties	BAU	(6,812)	175,000	202,400	127,400	0	(75,000)	Solar panel replacement budget allocation slipped into 2025/2026.	0	0
Carbon Efficiencies - Street Lights	Stage 3	0	160,000	210,000	67,000	0	(143,000)	LED street light upgrade work will be phased over multiple financial years. Project to be broken down into manageable areas and is subject to contractor availability. At this stage the overall completion date is unknown.	0	0
Chamber Equipment Refresh	Pre Stage 1	0	10,000	10,000	0	(10,000)	0	No longer required as current system works fine. Remove from capital programme.	0	0
Civic Car Replacement	Pre Stage 1	0	30,000	30,000	30,000	0	0		0	0
Contact Centre	Stage 2	18,324	26,500	26,500	26,500	0	0		0	0
CRM System	Stage 3	0	95,400	95,400	95,400	0	0		0	0
Desktop Refresh	BAU	0	11,000	21,000	21,000	0	0		0	0
ERP Systems Phase 2	Stage 2	0	200,000	200,000	200,000	0	0		0	0
Member ICT Provision	Stage 3	0	32,000	32,000	32,000	0	0		0	0
Mobile Phones	Pre Stage 1	6,297	10,000	10,000	10,000	0	0		0	0
Richmond House Conservatory	Stage 3	0	50,000	50,000	50,000	0	0		0	0
Our People										
1.1 Flagship Community Grants Programme	Stage 3	105,458	338,700	281,000	281,000	0	0		0	0
1.2 Supporting our Town, Village & Neighbourhood Centres	Stage 3	18,071	0	27,600	27,600	0	0		0	0
Disabled Facilities Grants	BAU	434,801	674,900	968,800	968,800	0	0		0	0
Extra Care Provision	Stage 3	1,250,000	1,161,000	1,661,000	1,661,000	0	0		0	0
Gains LC Solar Scheme	Pre Stage 1	2,851	0	402,000	402,000	0	0		0	0
Grange Farm - Community Supported Living	Stage 3	0	0	100,000	100,000	0	0		0	0
Home Upgrade Grant Phase 2	Stage 3	733,612	8,585,000	9,274,300	5,000,000	(4,274,300)	0	Delay in initial delivery has reduced take up of scheme. Project due to complete 31/03/25.	0	0
Parks Fund Project	Stage 3	0	0	47,500	47,500	0	0		0	0
Supported Accommodation (LEAP)	Stage 3	0	42,800	42,800	0	(42,800)	0	Project delivery didn't proceed so funding is not required. Scheme to be closed.	0	0
Our Place										
1.3 Safer Streets West Lindsey	Stage 2	52,932	24,400	66,400	66,400	0	0		0	0
1.4 Multi Year Signature Events Programme	Stage 3	0	0	500	500	0	0		0	0
2.1 Flagship West Lindsey Business Support Programme	Stage 3	189,257	421,700	578,400	578,400	0	0		0	0
5-7 Market Place Redevelopment	Stage 3	4,227	0	49,100	49,127	27	0		44,900	44,900
CCTV Expansion	Stage 3	0	0	27,400	27,400	0	0		0	0
Food Waste Collection	Stage 2	0	720,000	817,100	817,100	0	0		0	0
Gainsborough Heritage Regeneration	Stage 3	182,221	1,009,700	1,099,600	733,854	0	(365,746)	4 completed buildings / 11 in construction phase / 5 developing schemes - scheme to be completed by September 2026.	0	0
Hemswell Cliff Investment for Growth	Stage 2	14,178	88,300	128,300	128,300	0	0		0	0
Market Rasen 3 year vision	Stage 3	35,690	103,000	126,000	126,000	0	0		0	0
Purchase of RAF Scampton	Stage 2	0	4,750,000	4,750,000	4,750,000	0	0		0	0
Shop Front Improvement	Stage 3	11,057	49,771	48,871	48,871	0	0		0	0
Thriving Gainsborough - Bus Station	Stage 3	(860)	0	1,000	1,000	0	0		0	0
Thriving Gainsborough - Cinema	Stage 3	1,969,751	4,721,748	5,467,548	5,467,548	0	0		0	0
Thriving Gainsborough - Living Over The Shops	Stage 2	223,713	609,960	640,717	640,717	0	0		0	0
Thriving Gainsborough - Market Place/Streetscape	Stage 3	4,937	421,912	435,912	435,912	0	0		0	0
Thriving Gainsborough - Pocket Park	Stage 3	49,475	265,000	758,900	758,900	0	0		0	0
Thriving Gainsborough - Resources	Stage 3	0	275,526	381,326	381,326	0	0		0	0
Thriving Gainsborough - Townhall THI	Stage 3	561,925	1,021,573	1,497,416	1,497,416	0	0		0	0
Thriving Gainsborough - Wayfinding Strategy	Stage 3	1,795	5,800	10,800	10,800	0	0		0	0
Thriving Gainsborough - Whitton Gardens	Stage 3	41,897	964,944	674,644	674,644	0	0		0	0
Unlocking Housing (LoS)	Stage 3	0	69,600	69,600	69,600	0	0		0	0
Vehicle Replacement Programme	BAU	1,046,505	1,090,500	1,242,800	1,157,635	0	(85,165)	4 RCVs received 3 caged vehicles received 2 caged vehicles to be procured. RFID (Radio Frequency Identification Device) chips spend now due in 2025/2026. 2 RCVs ordered for 2025/2026 delivery.	0	0
WLDC - Cinema Land Purchase	Stage 3	58,436	0	31,900	31,900	0	0		0	0
Total Capital Programme Gross Expenditure		7,009,738	28,215,734	32,596,534	27,600,550	(4,327,073)	(668,911)		44,900	44,900

Expected Completion Date

Ongoing BAU
Unknown
Remove
Unknown
Q2/Q3 24/25
Q4 25/26
Ongoing BAU
Unknown
Q3 24/25
Q3 24/25
Unknown

Q4 24/25
Q4 24/25
Ongoing BAU
Q4 24/25
Q4 24/25
25/26
Q4 24/25
Q3 24/25
Remove

Q4 24/25
Q4 24/25
Q4 24/25
Q4 24/25
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Ongoing BAU
25/26

APPENDIX 2. Link Asset Services Updated Interest Rate Forecast 30 September 2024.

Economics and Interest Rates

Economics Update

- The third quarter of 2024 (July to September) saw:
 - GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
 - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
 - CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
 - Core CPI inflation increasing from 3.3% in July to 3.6% in August;
 - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
 - 10-year gilt yields falling to 4.0% in September.
- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.
- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.
- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.
- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.
- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.
- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.
- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.
- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.

- Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

Interest Rate Forecasts

The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority 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 1 November 2012.

Our latest forecast on 28 May sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10