

<b>Committee:</b>	Cabinet	<b>Date:</b>	Tuesday, 9 June 2026
<b>Title:</b>	Quarter 3 Finance Monitor		
<b>Portfolio Holder:</b>	Cllr Hargreaves, Portfolio Holder for Finance and the Economy		
<b>Report Author:</b>	Lance Porteous, Director of Finance, Revenues and Benefits  lporteous@uttlesford.gov.uk	<b>Key decision:</b>	No

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## Summary

1. This report sets out the forecast financial performance of the Council as at the end of December 2025 and include General Fund, Housing Revenue Account (HRA), Capital and Treasury Management. Forecasts for the year end are based upon actual income and expenditure from April to December 2025, together with predictions for the remainder of the financial year.
2. Overall, there was an expected £875k underspend in the General Fund. Service expenditure has some significant offsetting over and underspends, but the decisive impact is the large over-achievement of planning income. More detail about the service variances is provided in paragraphs 11 to 21.
3. The Housing Revenue Account (HRA) was forecasting an overspend of £0.381m which will need to be met from Reserves. The significant variances are dwelling rent voids, property services and housing services overspends, offset by an underspend on the Axis contract. More explanations of variances are provided in paragraphs 22 to 29.
4. Forecast General Fund capital expenditure was £12.373m against an original budget of £9.866m plus in-year budget growth of £4.924m. This left £2.417m forecasted slippage into 2026/27. More explanations of variances are provided in paragraphs 31 to 41.
5. Forecast HRA capital expenditure was £3.746m against an original budget of £8.869m plus £0.250m in-year budget growth. This left £5.373m forecasted slippage into 2026/27. Further details are set out in paragraphs 42 to 48.
6. Throughout the period, the Council's treasury management activities were carried out in accordance with the Treasury Management Strategy approved by Council in February 2025. An update on the economy and financial markets has been provided by our Treasury Management advisors, Arlingclose in Appendix D.

## Recommendations

7. The Cabinet is recommended to:

- Note the contents of this report.

## Financial Implications

8. Financial implications are set out throughout this report.

## Background Papers

9. Budget Report to Council 2025/26 – (Link: [Impact](#))

## Impact

10.

Communication/Consultation	Discussions between Budget Holders and Finance. Review at Corporate Management Team (CMT) and Informal Cabinet Briefing (ICB).
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

## General Fund

Service Expenditure	Budget £000	Forecast £000	Variance £000
Business Performance & People	1,219	1,041	(178)
Chief Executive	545	476	(69)
Corporate Services	1,634	1,419	(215)
Digital Innovation & Commercialisation	3,773	3,682	(91)
Environmental Services & Climate Change	4,351	4,386	35
Resources	2,655	3,048	393
Housing & Communities	1,124	1,253	129
Planning	386	(494)	(880)
<b>Net Cost of Services</b>	<b>15,688</b>	<b>14,811</b>	<b>(877)</b>
Transformation (LGR)	250	250	0
Investment Properties	1,356	829	(527)
Corporate Items	2,255	2,283	28
Blueprint Uttlesford	(501)	0	501
External Funding	(10,813)	(10,813)	0
Council Tax Income	(7,381)	(7,381)	0
<b>Funding Gap funded from Reserves</b>	<b>854</b>	<b>(21)</b>	<b>(875)</b>

### Business Performance & People (£178k underspend)

11. This underspend was due to staff vacancies in HR and Contract, Performance & Risk Management.

### Chief Exec (£69k underspend)

12. This was due to staffing underspends and unaccrued elections reimbursements from prior years.

### Corporate Services (£215k underspend)

13. This underspend was due to staff vacancies in Customer Services, Communications and the Saffron Walden Museum.

### Digital Services & Commercialisation (£91k underspend)

14. Overspends include responsive repairs of £72k and higher software licensing costs of £165k. Underspends include staffing vacancies of £241k and £65k worth of additional tenant rent at London Road and Canfield now being received.

## **Environmental Services & Climate Change (£35k overspend)**

14. This was made up of an underspend for lower vehicle maintenance of £58k. This was reduced by overspends/reduced income including street cleansing recycling income down £19k, Acting Up salary costs of £9k, and higher than budgeted gate fee per tonne of £78k. Higher veterinary costs due to greater inspections recovered via fees was a £86k budget pressure which was forecast to be more than offset by higher food import volumes requiring inspection of £165k. Licensing vacancies created a forecast underspend of £116k offset by the largest taxi license operator now going to another Council for new driver licenses which was forecast to result in a £168k reduction in income.

## **Resources (£393k overspend)**

15. The Housing Benefit Subsidy gap was largely due to paying for temporary accommodation well above the Local Housing Allowance rate causing an overspend of £424k. This has been provided for within the corporate contingency but the worsening trend is a concern for the Council. Otherwise HB caseload continues to migrate to Universal Credit meaning less Subsidy creating a £36k budget pressure but this was offset by £40k in Revenues & Benefits staffing vacancies. £80k of a Council Tax Sharing Agreement surplus and £30k in extra court costs was forecast due to a high current year collection rate compared with peer Essex local authorities and enhanced enforcement of older debts. Finance agency costs were high (£190k) due to the prolonged External Audit and cover for a vacant HRA/Capital accountant post, although partially offset by overbudgeted corporate management team (£162k).

## **Housing & Communities (£129k overspend)**

16. Overspend on B&B, consultancy, agency, recruitment and prevention work of £547k which was partially offset by expected higher HB income for TA properties as well additional collection of prior year HB, all forecast to total £388k.

## **Planning (£880k underspend)**

There was a net underspend on Building Control staffing due to an increase in KJA (building compliance) fees of £52k. Forecast increase in Development Management fees due to no longer being designated and increase in applications worth £916k,. Planning Specialists salaries underspent due to vacant posts worth £64k but more than offset by the overspend on the ECC SLA for Archaeology and Conservation of £128k.

## **Transformation**

17. This is reserve funded and was expected to be on budget.

### Investment Income (£490k underspend)

Investment Properties	Budget £000	Q3 Forecast £000	Variance £000
Investment property income (net of management costs)	(11,135)	(10,703)	432
Borrowing costs	12,454	11,531	(922)
<b>Total</b>	<b>1,319</b>	<b>829</b>	<b>(490)</b>

18. Investment income was forecast to be below budget due to slightly lower Treasury investments than predicted.

19. However, borrowing costs were underspending due to lower need to borrow from local authorities than predicted when setting the budget.

### Corporate Items

Corporate Items	Budget £000	Q3 Forecast £000	Variance £000
Capital financing	1,702	1,702	0
Corporate pension costs (added years and deficit repair)	85	113	28
Contingency	468	468	0
<b>Total</b>	<b>2,255</b>	<b>2,283</b>	<b>28</b>

20. Of the above corporate items all were expected to be on budget except for pension costs which have incurred a pension strain of £25k after a redundancy.

### External Funding

21. Council Tax and Business Rates were expected to come in on budget.

<b>Housing Revenue Account (HRA) Net Expenditure by Service Area</b>	<b>Budget £'000s</b>	<b>Forecast £'000s</b>	<b>Variance £'000s</b>
<b>Service income</b>			
Dwelling rents	(18,452)	(17,854)	598
Garage rents	(253)	(253)	0
Other rents	(2)	(2)	0
Charges for services & facilities	(1,329)	(1,313)	16
<b>Subtotal - Service income</b>	<b>(20,036)</b>	<b>(19,422)</b>	<b>614</b>
<b>Rents, Rates &amp; other property charges</b>	<b>224</b>	<b>252</b>	<b>28</b>
<b>Maintenance &amp; repairs service expenditure</b>			
Common service flats	488	506	18
Estate maintenance	217	217	0
Housing sewage	21	22	1
Newport Depot	3	41	38
Property services	1,032	1,592	561
Housing repairs (Axis)	4,074	3,331	(743)
<b>Maintenance &amp; repairs service expenditure</b>	<b>5,834</b>	<b>5,709</b>	<b>(125)</b>
<b>Management &amp; homelessness expenditure</b>			
Housing services	891	1,160	269
Sheltered housing services	438	454	15
<b>Management &amp; homelessness expenditure</b>	<b>1,329</b>	<b>1,614</b>	<b>285</b>
<b>One-off transformation costs</b>	<b>306</b>	<b>0</b>	<b>(306)</b>
<b>Total Service expenditure</b>	<b>7,693</b>	<b>7,575</b>	<b>(118)</b>
<b>Other operating income and expenditure</b>	<b>9,648</b>	<b>9,534</b>	<b>(114)</b>
<b>Total Operating Expenditure</b>	<b>17,341</b>	<b>17,109</b>	<b>(232)</b>
<b>Operating (surplus)/deficit</b>	<b>(2,694)</b>	<b>(2,313)</b>	<b>381</b>
<b>Capital financing</b>	2,944	2,944	0
<b>Transfers to/(from) earmarked reserves</b>	(250)	(631)	(381)
<b>(Surplus)/deficit</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>

### **Service Income (£598k underachievement)**

22. This was due to the Alexia House and the Parkside estate being void.

### **Rents, Rates & other property charges (£28k overspend)**

23. This is due to council tax being paid on empty properties.

### **Maintenance and repairs (£125k underspend)**

24. The reduction in scope of the Axis contract had resulted in an underspend of £743k, although Property Services had undertaken most of these tasks creating an offsetting £561k overspend in that service. The costs for Newport Depot were under budgeted by £38k but this has been rectified for 2026/27 and beyond as part of the new in-house service provision.

### **Management and homelessness (£285k overspend)**

25. £244k spend on agency staff and £30k spending on Tenant Profiling project which was covered from the Transformation fund.

### **Transformation (£306k underspend)**

26. All of this budget of £306k was forecast to be used to offset the maintenance and management overspends above.

### **Other Operating Income and Expenditure**

27. The HRA's share of interest on long-term borrowing was forecast to be lower by £68k and its share of interest on investments £43k better than expected.

### **Capital Financing**

28. Expected to be on budget this year.

### **Transfers to/(from) Reserves (£631k over budget)**

29. This £0.631m would need to come from Transformation Reserve, leaving £0.369 in this reserve and maintaining £1.957m in the Property Investment Reserve.

## Capital – General Fund

30. The capital tables below include the original budget and associated forecast and variance. However, they also include column for agreed/funded in-year budget growths and slippage to 2026/27. The variance is therefore the difference between the forecast and the budget + growth - slippage.

Capital Expenditure	Budget £'000s	Budget Growth In-Year £'000S	Slippage to 2026/27 £'000s	Forecast £'000s	Variance £'000s
Resources	390	0	0	390	0
Business Performance & People	0	0	0	0	0
Digital Innovation & Commercialisation	1,941	0	(629)	1,312	0
Environmental Services & Climate Change	2,525	0	(1,788)	737	0
Housing & Communities	0	120	0	120	0
Planning		304		304	0
Investments	5,010	4,500	0	9,510	0
<b>Total</b>	<b>9,866</b>	<b>4,924</b>	<b>(2,417)</b>	<b>12,373</b>	<b>0</b>

31. All Capital Projects are listed against their directorates in Appendix C. Commentary is below.

### Resources

32. This represented the new Finance system implementation project (Technology One) which at the time was expected to be on budget. Due to LGR, the direction of travel for the replacement finance system has changed.

### Business Performance & People

33. No capital projects.

### Digital Innovation & Commercialisation

34. There are many capital projects within this directorate, which are broken down in Appendix B.

35. All of the Digital Innovation & Commercialisation projects were expected to come in on budget although Council Offices CCTV, Swan Meadow Car Park and Public Sector Decarbonisation Scheme projects are expected to slip into 2026/27.

## Environmental Services & Climate Change

36. The waste services vehicle replacement programme was underway but most vehicles will arrive next financial year.
37. The Disabled Facilities Grant had increased by £57k and was expected to be spent on installations.
38. £10k of private sector grants had been identified in-year.

## Housing & Communities

39. UDC grant funding for Bardfield Road, Thaxted of £45k. UDC were also providing £75k of S106 housing contribution monies to Hastoe HA to ensure scheme is viable.

## Planning

40. REPF (£244k) & UKSPF (£60k) now report within the Planning Directorate. The grant allocations were given in late spring 2025 and were not included at the time of budget setting. It was anticipated that the budgets will be fully spent in 2025/26.

## Investments

41. Existing budgets have been increased in line with approval at extraordinary Council meeting August 2025, adding £4.5m to the Aspire (CRP) Limited loan provision for the new Building 800 at Chesterford Research Park and £5.1m to the Building 900 Refurbishment, which were on course to be drawn down.

## Capital – Housing Revenue Account

Project	Budget £'000s	Budget Growth In-Year £'000s	Slippage to 2026/27 £'000s	Forecast £'000s	Variance £'000s
Existing Stock Maintenance	2,742	0	(1,847)	868	0
Social Housing Decarbonisation Fund (SHDF)	5,100	0	(2,662)	2,438	(0)
Garden Sites	117	0	(97)	20	0
Takeley	740	0	(740)	0	0
Walden Place	0	20	0	20	0
1 Birchwood	0	230	0	230	0
Technology One	170	0	0	170	0
<b>Total</b>	<b>8,869</b>	<b>250</b>	<b>(5,373)</b>	<b>3,746</b>	<b>0</b>

## **Existing Stock Maintenance**

42. Programme of works was not fully carried out by Axis so forecast to spend carry forward most of the budget to the next financial year.

## **Social Housing Decarbonisation**

43. Only about half of the budget was expected to be spent this financial year.

## **New Builds**

44. Tye Green & The Mead Garden Sites. Only forecast to spend £20k. The budget assumed retention payments but these were accrued for in 2024/25.

45. The Takeley development was now forecast to commence in 2026/27.

46. Final expenses on Walden Place of £20k incurred and funded from revenue.

47. Additional 1 Birchwood project costs of £230k incurred and funded from s106 monies.

## **Technology One**

48. This was the HRA portion of the new Finance system and was forecast to be fully spent (subject to update in paragraph 32 of this report).

## **Treasury Management**

49. Treasury management activities had been carried out throughout the period in accordance with the Treasury Management Strategy approved by Council in February 2025, without any breaches in the third quarter of 2025/26.

50. For the period from April to December 2025, the Council's weighted average cost of borrowing was 4.62%, whilst the weighted average return on treasury investments was 2.99%. The return on investments was lower than the cost of borrowing as although the Council borrows and lends with other Councils at the same rates, it also borrows and lends in safer institutions at a lower cost and return. This means that the net cost of borrowing was lower compared to budget. Nevertheless, the Council's borrowing far exceeds the balances invested, and the Council remains exposed to an element of interest rate risk on refinancing.

### Treasury Forecast as at Quarter 3

	Budget £000	Q3 Forecast £000	Variance £000
<b>Investments</b>			
Local Authorities (inc. HRA share)	(269)	(192)	77
MMFs	(85)	(159)	(74)
FIBCA	(11)	(10)	(1)
Aspire	(2,399)	(2,399)	0
<b>Sub-total Investments</b>	<b>(2,764)</b>	<b>(2,759)</b>	<b>5</b>
<b>Borrowing</b>			
Local Authorities	6,347	3,989	(2,358)
PWLB	4,579	5,892	1,314
<b>Sub-total Borrowing</b>	<b>10,926</b>	<b>9,882</b>	<b>(1,044)</b>
<b>Net</b>	<b>8,162</b>	<b>7,123</b>	<b>(1,039)</b>

51. Throughout the period, the Council had invested more in MMF's than expected when setting the budget as deposits are on demand instead of fixed and are paying better interest than expected. This meant less was invested with other local authorities than budgeted for.

52. The Council had borrowed more from the PWLB than expected when setting the budget as the Government extended its interest rate discount. This is expected to save the Council c.£1m in interest costs.

### Prudential Indicators

Prudential Indicators	Budget	Budget Growth In-Year £'000s	Slippage	Forecast	Variance
	£'000s		£'000s	£'000s	£'000s
<b>Estimate of Capital Expenditure (CAPEX)</b>					
General Fund *	4,856	424	(2,417)	2,863	0
Commercial Investments	5,010	4,500	0	9,510	0
Housing Revenue Account	8,869	250	(4,940)	3,746	0
<b>Total Estimate of CAPEX</b>	<b>18,735</b>	<b>5,174</b>	<b>(7,790)</b>	<b>16,119</b>	<b>0</b>
<b>Estimate of Capital Financing Requirement at 31 March 2026</b>					
General Fund	17.9m	N/A	N/A	17.9m	0
Commercial Investments	264.3m	N/A	N/A	264.3m	0

Housing Revenue Account	79.3m	N/A	N/A	79.3m	0
<b>Total - Estimate of CFR at 31 March</b>	<b>361.5m</b>	N/A	N/A	<b>361.5m</b>	<b>0</b>
<b>Gross Debt at 31 March</b>	<b>319.7m</b>	<b>N/A</b>	<b>N/A</b>	<b>330.7m</b>	<b>11.0m</b>
<b>Authorised Limit</b>					
Authorised Limit for borrowing	420m	N/A	N/A	420m	0
Authorised Limit for other long-term liabilities	5m	N/A	N/A	5m	0
<b>Total - Authorised limit for external debt</b>	<b>425m</b>	N/A	N/A	<b>425m</b>	<b>0</b>
<b>Operational boundary</b>					
Operational boundary for borrowing	400m	N/A	N/A	400m	0
Operational boundary for other long-term liabilities*	5m	N/A	N/A	5m	0
<b>Total - Operational boundary for external debt</b>	<b>405m</b>	N/A	N/A	<b>405m</b>	<b>0</b>
<b>Proportion of financing costs to net revenue</b>	<b>69.6%</b>	N/A	N/A	<b>66.7%</b>	<b>(2.9%)</b>
<b>Proportion of net income from commercial investments to net revenue</b>	<b>(17.6)%</b>	N/A	N/A	<b>(18.6)%</b>	<b>(1.0%)</b>

\* Includes Private Finance Initiative (PFI) and lease liabilities

53. Borrowing increased by £11.0m during the year as per the agreed capital programme.

54. The capital financing requirement (CFR) has not increased because it is set at the beginning of the year based on the agreed capital programme and its funding.

55. The Council's gross debt is still comfortably within its CFR and well within its authorised and operational boundaries. This means there is plenty of scope for the Council to borrow more if it needs to. However, the Council does not borrow unless all other funding options are unavailable.

## Risk Analysis

56.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating actions</b>
Actual outturn will vary from forecast, requiring adjustments to reserves, future budgets and/or service delivery.	3 – as the current forecasts have been prepared towards the beginning of the financial year, the likelihood of significant variances at outturn are high.	2 – budget will continue to be closely monitored and prompt action taken if necessary to control and report variances	Monthly monitoring between budget holders and accountants, applying action plans where variances occur.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## Appendix A: Service Breakdown – General Fund

<b>Business Performance &amp; People</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Human Resources	439	317	(122)
Car Parks			0
Economic Dev			0
Private Finance Initiative	387	387	(0)
Contract, Performance & Risk Management	209	156	(53)
Internal Audit	184	181	(2)
<b>Total</b>	<b>1,219</b>	<b>1,041</b>	<b>(178)</b>

<b>Human Resources</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	439	317	(122)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>439</b>	<b>317</b>	<b>(122)</b>

<b>Private Finance Initiative</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	942	942	(0)
Gross Income	(450)	(450)	0
Movement in Reserves	(105)	(105)	0
<b>Net Expenditure</b>	<b>387</b>	<b>387</b>	<b>(0)</b>

<b>Contract, Performance &amp; Risk Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	209	156	(53)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>209</b>	<b>156</b>	<b>(53)</b>

<b>Internal Audit</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	183	181	(2)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>183</b>	<b>181</b>	<b>(2)</b>

<b>Chief Executive</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
GLC - Land Charges	1	(33)	(33)
GEL - Conducting Elections	0	(17)	(17)
GER - Electoral Registration	200	185	(15)
GLG - Legal Services	345	341	(4)
<b>Total</b>	<b>545</b>	<b>476</b>	<b>(69)</b>

<b>Land Charges</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	163	149	(14)
Gross Income	(162)	(182)	(20)
<b>Net Expenditure</b>	<b>1</b>	<b>(33)</b>	<b>(34)</b>

<b>Conducting Elections</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	184	30	(154)
Gross Income	(184)	(47)	137
<b>Net Expenditure</b>	<b>0</b>	<b>(17)</b>	<b>(17)</b>

<b>Electoral Registration</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	201	187	(14)
Gross Income	(2)	(2)	0
<b>Net Expenditure</b>	<b>199</b>	<b>185</b>	<b>(14)</b>

<b>Legal Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	395	376	(19)
Gross Income	(50)	(35)	15
<b>Net Expenditure</b>	<b>345</b>	<b>341</b>	<b>(4)</b>

<b>Corporate Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Saffron Walden Museum	290	265	(25)
Customer Services Centre	474	322	(152)
Community Information Centres	15	9	(6)
Committee Administration	189	198	9
Democratic Representation	381	381	(0)
Communications	285	245	(40)
<b>Total</b>	<b>1,634</b>	<b>1,419</b>	<b>(215)</b>

<b>Saffron Walden Museum</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	317	295	(22)
Gross Income	(27)	(30)	(3)
<b>Net Expenditure</b>	<b>290</b>	<b>265</b>	<b>(25)</b>

<b>Customer Services Centre</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	474	322	(152)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>474</b>	<b>322</b>	<b>(152)</b>

<b>Community Information Centres</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	22	20	(2)
Gross Income	(7)	(11)	(4)
<b>Net Expenditure</b>	<b>15</b>	<b>9</b>	<b>(6)</b>

<b>Committee Administration</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	189	198	9
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>189</b>	<b>198</b>	<b>9</b>

<b>Democratic Representation</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	381	381	(0)
Gross Income	(0)	(0)	0
<b>Net Expenditure</b>	<b>381</b>	<b>380</b>	<b>(0)</b>

<b>Communications</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	285	253	(32)
Gross Income	0	(8)	(8)
<b>Net Expenditure</b>	<b>285</b>	<b>245</b>	<b>(40)</b>

<b>Digital Innovation &amp; Commercialisation</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Asset Management	58	130	72
Central Services	495	484	(11)
Information Technology	1,969	2,134	165
Information Governance	130	121	(9)
Cleaning	266	225	(41)
Offices	868	601	(267)
Local Amenities	(13)	(13)	0
<b>Total</b>	<b>3,773</b>	<b>3,682</b>	<b>(91)</b>

<b>Asset Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	58	130	72
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>58</b>	<b>130</b>	<b>72</b>

<b>Central Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	536	530	(6)
Gross Income	(41)	(46)	(5)
<b>Net Expenditure</b>	<b>495</b>	<b>484</b>	<b>(11)</b>

<b>Information Technology</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	2,426	2,591	165
Gross Income	(456)	(456)	0
<b>Net Expenditure</b>	<b>1,970</b>	<b>2,135</b>	<b>165</b>

<b>Information Governance</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	130	121	(9)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>130</b>	<b>121</b>	<b>(9)</b>

<b>Offices</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,473	1,293	(180)
Gross Income	(605)	(693)	(88)
<b>Net Expenditure</b>	<b>868</b>	<b>600</b>	<b>(268)</b>

<b>Local Amenities</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	8	9	1
Gross Income	(21)	(21)	0
<b>Net Expenditure</b>	<b>(13)</b>	<b>(12)</b>	<b>1</b>

<b>Cleaning</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	266	225	(41)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>266</b>	<b>225</b>	<b>(41)</b>

<b>Environmental Services &amp; Climate Change</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Grounds Maintenance	491	534	43
Depots	41	(24)	(65)
Climate Change	182	108	(74)
Street Cleansing	561	590	29
Vehicle Management	795	737	(58)
Waste Management	954	1,108	154
Street Services	342	330	(12)
Emergency Planning	36	55	19
Animal Welfare	6	14	8
Environmental Protection	569	591	22
Imported Food	(200)	(278)	(79)
Licensing	52	100	48
Environmental Health - Commercial	521	521	(0)
<b>Total</b>	<b>4,351</b>	<b>4,386</b>	<b>35</b>

<b>Grounds Maintenance</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	497	550	53
Gross Income	(6)	(16)	(10)
<b>Net Expenditure</b>	<b>491</b>	<b>534</b>	<b>43</b>

<b>Depots</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	112	55	(57)
Gross Income	(71)	(78)	(7)
<b>Net Expenditure</b>	<b>41</b>	<b>(24)</b>	<b>(65)</b>

<b>Climate Change</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	345	373	28
Gross Income	0	0	0
Movement in Reserves	(163)	(265)	(102)
<b>Net Expenditure</b>	<b>182</b>	<b>108</b>	<b>(74)</b>

<b>Street Cleansing</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	610	620	10
Gross Income	(49)	(30)	19
<b>Net Expenditure</b>	<b>561</b>	<b>590</b>	<b>29</b>

<b>Vehicle Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	830	767	(63)
Gross Income	(35)	(30)	5
<b>Net Expenditure</b>	<b>795</b>	<b>737</b>	<b>(58)</b>

<b>Waste Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	4,393	4,614	221
Gross Income	(3,439)	(4,081)	(642)
Movement in Reserves	0	575	575
<b>Net Expenditure</b>	<b>954</b>	<b>1,108</b>	<b>154</b>

<b>Street Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	342	346	3
Gross Income	0	0	0
Movement in Reserves	0	(16)	(16)
<b>Net Expenditure</b>	<b>342</b>	<b>330</b>	<b>(12)</b>

<b>Emergency Planning</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	36	55	19
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>36</b>	<b>55</b>	<b>19</b>

<b>Animal Welfare</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	10	18	8
Gross Income	(4)	(4)	(0)
<b>Net Expenditure</b>	<b>6</b>	<b>14</b>	<b>8</b>

<b>Environmental Protection</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	627	678	51
Gross Income	(57)	(107)	(50)
Movement in Reserves	0	19	20
<b>Net Expenditure</b>	<b>569</b>	<b>591</b>	<b>22</b>

<b>Imported Food</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	180	266	86
Gross Income	(379)	(544)	(165)
<b>Net Expenditure</b>	<b>(200)</b>	<b>(278)</b>	<b>(79)</b>

<b>Licensing</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	775	659	(116)
Gross Income	(727)	(559)	168
Movement in Reserves	4	(0)	(5)
<b>Net Expenditure</b>	<b>52</b>	<b>100</b>	<b>48</b>

<b>Resources</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Benefits Administration	462	362	(100)
Housing Benefits	314	838	524
Council Tax Collection	(100)	(130)	(30)
Non Domestic Rates Collection	(158)	(153)	5
Revenues Administration	607	667	60
Council Tax Support	(179)	(259)	(80)
Financial Services	1,252	1,429	177
Corporate Management	457	295	(162)
<b>Total</b>	<b>2,655</b>	<b>3,048</b>	<b>393</b>

<b>Benefits Administration</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	600	526	(74)
Gross Income	(138)	(164)	(26)
<b>Net Expenditure</b>	<b>462</b>	<b>362</b>	<b>(100)</b>

<b>Housing Benefits</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	12,141	10,902	(1,239)
Gross Income	(11,827)	(10,064)	1,763
<b>Net Expenditure</b>	<b>314</b>	<b>838</b>	<b>524</b>

<b>Council Tax Collection</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	0	20	20
Gross Income	(100)	(150)	(50)
<b>Net Expenditure</b>	<b>(100)</b>	<b>(130)</b>	<b>(30)</b>

<b>Non-Domestic Rates Collection</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	0	0	0
Gross Income	(158)	(153)	4
<b>Net Expenditure</b>	<b>(158)</b>	<b>(153)</b>	<b>4</b>

<b>Revenues Administration</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	795	855	60
Gross Income	(188)	(188)	0
<b>Net Expenditure</b>	<b>607</b>	<b>667</b>	<b>60</b>

<b>Council Tax Support</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	60	73	12
Gross Income	(239)	(332)	(93)
<b>Net Expenditure</b>	<b>(179)</b>	<b>(259)</b>	<b>(80)</b>

<b>Financial Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,253	1,433	180
Gross Income	(2)	(5)	(3)
<b>Net Expenditure</b>	<b>1,251</b>	<b>1,429</b>	<b>178</b>

<b>Corporate Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	485	1,001	516
Gross Income	(28)	(706)	(678)
<b>Net Expenditure</b>	<b>457</b>	<b>295</b>	<b>(162)</b>

<b>Housing &amp; Communities</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Community Hubs	18	20	2
Grants & Contributions	501	501	0
Health Improvement	125	115	(10)
Ward Member Grants	0	0	0
Community Safety	290	290	0
Homelessness	93	252	159
Housing Strategy	97	74	(23)
Housing Improvement Grants	0	0	0
<b>Total</b>	<b>1,124</b>	<b>1,253</b>	<b>129</b>

<b>Community Hubs</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	18	20	2
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>18</b>	<b>20</b>	<b>2</b>

<b>Grants &amp; Contributions</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	550	550	0
Gross Income	(49)	(49)	0
<b>Net Expenditure</b>	<b>501</b>	<b>501</b>	<b>0</b>

<b>Health Improvement</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	166	177	11
Gross Income	(41)	(62)	(21)
<b>Net Expenditure</b>	<b>125</b>	<b>115</b>	<b>(10)</b>

<b>Community Safety</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	302	523	221
Gross Income	(12)	(232)	(221)
<b>Net Expenditure</b>	<b>290</b>	<b>290</b>	<b>0</b>

<b>Homelessness</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	748	1,295	547
Gross Income	(655)	(1,043)	(388)
<b>Net Expenditure</b>	<b>93</b>	<b>252</b>	<b>159</b>

<b>Housing Strategy</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	177	134	(43)
Gross Income	(80)	(60)	21
<b>Net Expenditure</b>	<b>97</b>	<b>74</b>	<b>(23)</b>

<b>Planning</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Building Control	208	111	(97)
Development Management	(386)	(1,165)	(780)
Planning Management	448	438	(10)
Planning Policy	626	622	(4)
Planning Specialists	305	372	67
Economic Development	163	163	0
Car Parks	(977)	(1,034)	(56)
<b>Total</b>	<b>386</b>	<b>(494)</b>	<b>(880)</b>

<b>Building Control</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,003	922	(81)
Gross Income	(795)	(811)	(16)
<b>Net Expenditure</b>	<b>208</b>	<b>111</b>	<b>(97)</b>

<b>Development Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,671	1,914	243
Gross Income	(2,057)	(3,079)	(1,022)
<b>Net Expenditure</b>	<b>(386)</b>	<b>(1,165)</b>	<b>(780)</b>

<b>Planning Management</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	448	438	(10)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>448</b>	<b>438</b>	<b>(10)</b>

<b>Planning Policy</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	626	638	12
Gross Income	0	(16)	(16)
<b>Net Expenditure</b>	<b>626</b>	<b>622</b>	<b>(4)</b>

<b>Planning Specialists</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	326	416	90
Gross Income	(21)	(44)	(23)
<b>Net Expenditure</b>	<b>305</b>	<b>372</b>	<b>67</b>

<b>Car Parks</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	517	564	46
Gross Income	(1,495)	(1,597)	(102)
<b>Net Expenditure</b>	<b>(977)</b>	<b>(1,034)</b>	<b>(56)</b>

<b>Economic Development</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	163	426	264
Gross Income	0	(264)	(264)
<b>Net Expenditure</b>	<b>163</b>	<b>163</b>	<b>0</b>

## Appendix B: Service Breakdown – Housing Revenue Account

<b>Estate Maintenance</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	217	217	0
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>217</b>	<b>217</b>	<b>0</b>

<b>Housing Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	891	1,212	321
Gross Income	0	(52)	(52)
<b>Net Expenditure</b>	<b>891</b>	<b>1,160</b>	<b>269</b>

<b>Newport Depot</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	3	41	38
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>3</b>	<b>41</b>	<b>38</b>

<b>Planned &amp; Responsive Repairs</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	2,838	2,730	(108)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>2,838</b>	<b>2,730</b>	<b>(108)</b>

<b>Housing Repairs</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,236	601	(635)
Gross Income	0	0	0
<b>Net Expenditure</b>	<b>1,236</b>	<b>601</b>	<b>(635)</b>

<b>Housing Sewage</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	21	22	1
Gross Income	(66)	(65)	1
<b>Net Expenditure</b>	<b>(45)</b>	<b>(42)</b>	<b>3</b>

<b>Common Services Flats</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	488	506	18
Gross Income	(409)	(428)	(19)
<b>Net Expenditure</b>	<b>79</b>	<b>78</b>	<b>(0)</b>

<b>Rates &amp; Property</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	224	252	28
Gross Income	(18,707)	(18,109)	598
<b>Net Expenditure</b>	<b>(18,483)</b>	<b>(17,857)</b>	<b>626</b>

<b>Sheltered Housing</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	438	454	15
Gross Income	(854)	(820)	33
<b>Net Expenditure</b>	<b>(415)</b>	<b>(367)</b>	<b>49</b>

<b>Property Services</b>	<b>Budget £000</b>	<b>Q3 Forecast £000</b>	<b>Variance £000</b>
Gross Expenditure	1,032	1,603	571
Gross Income	0	(11)	(11)
<b>Net Expenditure</b>	<b>1,032</b>	<b>1,592</b>	<b>560</b>

## Appendix C: Capital – General Fund

### Resources

Capital Projects	Budget	Slippage	Forecast	Variance	
	£'000s	£'000s	£'000s	£'000s	Explanation
Finance System Replacement Budget	390	0	390	0	Extended to a Go Live of 1 <sup>st</sup> April by Cabinet.

### Business Performance & People

Capital Projects	Budget	Slippage	Forecast	Variance	
	£'000s	£'000s	£'000s	£'000s	Explanation
The leisure lease PFI contract payments	0	0	342	342	£342k of lease costs capitalisable under IFRS16, although will ultimately be funded from revenue.
Funded from Revenue	0	0	(342)	(342)	
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Digital Innovation & Commercialisation

Capital Projects	Budget	Net Slippage	Forecast	Variance	
	£'000s	£'000s	£'000s	£'000s	Explanation
Day centre cyclical improvements	20	0	20	0	Dunmow works guttering quote requested.
Saffron Walden Castle	30	120	150	0	Forecast works to the retaining wall in the region of £150k and under pressure from Historic England to reopen the Castle. Potentially can apply for 50:50 funding from Historic England but funding applications take time and may not be achievable in the timescales. <b>Growth Request 2025/26 for £120k to revise the budget.</b>
Electric car chargers	15	(15)	0	0	This is a rolling budget. Haven't identified where to place chargers yet. Unlikely to happen this year unless any replacements are required.
Council Offices CCTV	100	(100)	0	0	This project hasn't started so slippage into 2026/27.
Asset Management Plan (AMP) - London Road Gable End works	18	(1)	17	0	Works are complete
AMP - Castle works	2	(2)	0	(0)	Works are complete
AMP - Fire Doors	80	(1)	79	0	Works are complete
AMP - Swan Lane Car Park	262	(212)	50	0	£50k of expenditure expected in 2025/26 so slippage into 2026/27
AMP - Guildhall	150	0	150	0	Guildhall transfers to ECC ownership on 1st April 2026. Works are required to be completed prior to this. UDC do not have resources to complete in the timescales and

					therefore it is likely that a grant will be provided to ECC to complete the works.
AMP - London Road Tree Roots Car Park	20	0	20	0	Forecast to complete this year
AMP - London Road Air Conditioning	100	0	100	0	Forecast to complete this year
AMP - Museum Fire Alarm System	70	0	70	0	Quotes are being obtained - Forecast is estimate - project forecast to complete this year
AMP - Musuem Energy Lights	10	0	10	0	Quotes are being obtained - Forecast is estimate - project forecast to complete this year
AMP - London Road Fire Alarm System	100	0	100	0	Quotes are being obtained. Forecast to complete this year
AMP - School House Roof & Gutters	15	0	15	0	Forecast to complete this year.
AMP - London Road Atrium	80	80	160	0	Growth Request for £80k as necessary to increase the 2025/26 budget.
Canfield Depot	0	4	4	0	Balance of fees for car park £4k. Growth request.
Museum Boiler	0	15	15	0	In year necessary capital expenditure so growth requested.
Public Sector Decarbonisation Scheme	751	(520)	231	0	Budget should have been £717k with £626k grant funding and £91k UDC Contribution. Maximum spend in 25/26 is £140k grant plus £91k UDC contribution = £231k. Balance of expenditure is grant funded £486k and will fall into 26/27.
Museum First Floor Fire Escape	0	3	3	0	In year necessary capital expenditure so growth requested.
Corporate laptop/device replacement	40	0	40	0	This project is now completed
Corporate mobile phone replacement	35	0	35	0	Current contract is up in January 2026. This project will complete in Q4.

Culture AI	13	0	13	0	Currently getting quotes in for updated prices. project will complete this year.
Hotdesking equipment	30	0	30	0	Waiting for redesign to assess for the equipment needed but most likely will complete this year.
	<b>1,941</b>	<b>(610)</b>	<b>1,331</b>	<b>0</b>	

### Environmental Services & Climate Change

Capital Projects	Budget £'000s	Net Slippage £'000s	Forecast £'000s	Variance £'000s	Explanation
Vehicle replacement programme	2,290	(2,197)	93	0	Waste vehicles have begun to be replaced but will mainly arrive next financial year.
Disabled Facilities Grants	235	55	290	0	
Private Sector Grants	0	10	10	0	£10k of private sector grants have been identified in-year so are requesting the budget for this.
<b>TTC - not to be in public domain</b>	0	344	344	0	TTC is in dispute. Owners were originally paid £396k and this payment was covered by a PLACE grant. There will be estimated settlement fees of between £209k and £294k plus additional legal fees of £10k and other costs £10k. There is £90k of PLACE funding remaining and the capital receipt will be available to contribute. This is not budgeted for so £344k is being requested.

	<b>2,525</b>	<b>(1,788)</b>	<b>737</b>	<b>0</b>	
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### Housing & Communities

<b>Capital Projects</b>	<b>Budget £'000s</b>	<b>Budget Growth In- Year £'000s</b>	<b>Forecast £'000s</b>	<b>Variance £'000s</b>	<b>Explanation</b>
Other Grants	0	120	120	0	UDC grant funding for Bradfield Road, Thaxted of £45k. UDC are providing £75k of S106 housing contribution monies to Hastoe HA to ensure scheme is viable. This is not budgeted for so £120k is being requested.
<b>Totals</b>	<b>0</b>	<b>120</b>	<b>120</b>	<b>0</b>	

### Planning

<b>Capital Projects</b>	<b>Budget £'000s</b>	<b>Budget Growth In- Year £'000s</b>	<b>Forecast £'000s</b>	<b>Variance £'000s</b>	<b>Explanation</b>
REPF		244	244	0	

	0				These now report within the Planning Directorate. The grant allocations were given in late spring 2025 and were not included at the time of budget setting. It is anticipated that the budgets will be fully spent in 2025/26.
UK Shared Prosperity Fund	0	60	60	0	
	<b>0</b>	<b>304</b>	<b>304</b>	<b>0</b>	

## Investments

Capital Projects	Budget £'000s	Budget Growth In-Year £'000s	Forecast £'000s	Variance £'000s	Explanation
Investments	5,010	4,500	9,510	0	Existing budgets have been increased in line with approval at extraordinary meeting August 2025, adding £500k to the Chesterford Research Park Building 800 Refurbishment and £4m to the Chesterford Research Park Building 900 Refurbishment, which are on course to be spent.

## Appendix D: External Context from Arlingclose

**Economic background:** Early in the first quarter was dominated by US trade tariffs and the negative impact on equity and bond markets. While this was reversed somewhat in the second quarter with equity markets making gains, it also saw a divergence in US and UK government bond yields. UK yields persisted at higher levels as investors demanded higher returns in the form of term premia due to the more uncertain UK fiscal and economic position.

The latter part of the period included the government's November autumn Budget. Despite much speculation and drip-feeding of potential policies in the weeks leading up to the event, what was ultimately announced was generally deemed more muted than had been anticipated, helping ease investors' fears of significantly higher government borrowing.

UK consumer price inflation (CPI) inflation was 3.2% in November 2025, down from 3.6% in the previous month and lower than the 3.5% expected, but still well above the Bank of England (BoE) target. Core CPI eased to 3.2% from 3.4%, against forecasts of it staying at 3.6%.

According to the Office for National Statistics (ONS), the UK economy expanded by 0.7% in the first quarter of the calendar year, by 0.3% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP fell by 0.1% in October.

The labour market continued to ease over the period as unemployment rose, vacancies fell and inactivity remained flat. In the three months to October 2025, the unemployment rate rose to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%.

The Bank of England's Monetary Policy Committee (MPC) voted 5-4 to cut Bank Rate to 3.75% in December 2025, as was expected. Policymakers wanting a cut judged that disinflation was established while those preferring to hold Bank Rate at 4% argued that inflation risks remained sufficiently material to leave it untouched at this stage.

The November BoE Monetary Policy Report projected GDP would expand by a modest 0.2% in calendar Q4 2025. Estimates of inflation in the report were quickly out of date when CPI fell quicker than expected in November. Predictions of a modestly growing economy were echoed by the Office for Budget Responsibility in its Economic and Fiscal Outlook published with the Autumn Statement which revised down its estimate of annual GDP to around 1.5% between 2025 and 2030.

Arlingclose, the Council's treasury adviser, held a central view that Bank Rate would be cut further in 2025/26 with most BoE policymakers remaining more worried about weak GDP growth than higher inflation. In line with Arlingclose's central forecast, Bank Rate was reduced to 3.75% in December. Further cuts are expected in 2026, with the central forecast being that Bank Rate will be eased to around 3.25%.

The US Federal Reserve continued cutting rates, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. The meeting minutes noted that most policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.

The European Central Bank (ECB) held its key interest rates in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

**Financial markets:** After declining sharply early in the period, sentiment in financial markets has been mostly buoyant, but risky assets remained volatile. Bond yields initially declined early in the period, but increasing uncertainty around the UK's economic and fiscal outlook caused medium and longer yields to rise. Yields remained elevated until the third quarter when the potential negative impact of the UK Budget were deemed less than expected and yields eased modestly.

Equity markets gained the previous declines seen in the April sell-off and have continued to rise, even in the face of ongoing uncertainty around the existence of an AI-related 'bubble' and concentration in US and global stock markets.

Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.48%. However, these nine months saw significant volatility with the 10-year yield hitting a low of 4.39% and a high of 4.82%. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.11% with a low and high of 5.05% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.10% over the nine months to 31<sup>st</sup> December.

**Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

Earlier in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.

In May, Moody's downgraded the United States sovereign long-term rating to Aa1 and affirmed OP Corporate's rating at Aa3. Moody's later upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers.

S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.

After spiking in April following the US trade tariff announcements, UK credit default swap (CDS) prices trended down before picking up modestly in October and November. They declined again in December and ended the year in line with levels seen in the first half of the year and most of 2024.

European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.

At the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain, and CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.