

Report to **South Downs National Park Authority**
Date **9 July 2024**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report: Provisional Outturn 2023/24**

Decision

Recommendation: The Authority is recommended to:

- 1. Note the provisional revenue outturn position of a net £377,000 below budget variance for the 2023/24 financial year.**
- 2. Approve the revenue budget carry forward requests from 2023/24 to 2024/25 of £912,000 as set out in Appendix 2**
- 3. Approve the Capital variations as detailed in Appendix 3.**
- 4. Approve the proposed use (£345,000) of the below budget variance as detailed in paragraph 4.1, and that the balance of (£32,000) be allocated to the Strategic Fund.**
- 5. Note the Treasury Management overview and position as at financial year-end 2023/24.**

1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2023/24 financial year on the 30 March 2023. In accordance with financial procedures, reports on the Authority's projected income and expenditure compared with the budget shall be submitted at least quarterly to Policy & Resources Committee. This report sets out the Authority's provisional outturn position for the financial year 2023/24 which must be considered by the full Authority which has responsibility for approving transfers to or from reserves, approving capital programme variations, and approving carry forward requests.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 30 March 2023. In accordance with financial procedures, the Authority (normally through the Policy & Resources Committee) shall receive quarterly treasury management update reports. This report provides an overview of the current economic and treasury management provisional outturn position for the financial year 2023/24.

2. Policy Context

- 2.1 The revenue and capital budget are developed to align with the Partnership Management Plan and Corporate Plan priorities. The budget monitoring process reports on variances

against approved budgets to identify changes and resource requirements at the earliest opportunity.

3. Issues for consideration

Provisional 2023/24 Revenue Outturn

- 3.1 The provisional 2023/24 revenue outturn position is a net below budget variance of (£377,000) subject to the approval of carry forward requests (including Multi-Year Projects), which represents approximately 4.4% of the revised service net budget.

2023/24	Directorate	2023/24	2023/24	Forecast	Forecast
Month 9		Budget	Actuals	Variance	Variance
Variance		Outturn	Outturn	Outturn	Outturn
£'000		£'000	£'000	£'000	%
(59)	Corporate Services	3,362	3,521	159	4.73%
0	Seven Sisters County Park	(55)	(73)	(18)	32.62%
(130)	Countryside Policy and Management	2,747	2,563	(184)	(6.70%)
(179)	Planning	2,353	2,019	(334)	(14.19%)
0	Strategic Investment Fund	256	256	0	0.00%
(368)	Total Directorate Budgets	8,663	8,286	(377)	(4.35%)
0	National Park Grant	(10,486)	(10,486)	0	0.00%
0	Contribution to/from Reserves	1,823	1,823	(0)	0.00%
(368)	Total Authority Budget	0	(377)	(377)	

- 3.2 The provisional outturn position represents a movement of (£9,000) from the month 9 forecast variance of (£368,000) below budget reported to Policy & Resources Committee. The key movements are detailed at Appendix 1.

Budget Carry Forwards

- 3.3 The provisional outturn position assumes approval of budget carry forward requests totalling £0.912m. Budget carry forward approval is required for both un-ringfenced grant funded budgets and non-grant funded budgets in accordance with current financial accounting requirements and Financial Regulations and Procedures. A list of budget carry forwards requests is provided at Appendix 2 to this report. Requests have been reviewed based on the following criteria:

- The nature of the budget, i.e. does it relate to an existing project, grant income or contractual commitment?
- Does expenditure relate to an existing initiative in progress (e.g. timing/delays/year-end cut off)?
- Whether there is a clear contractual commitment/spending plan in place.

- Whether expenditure can be funded from future years' budgets.

Note that some carry forward requests relate to projects or commitments that are likely to run over more than one financial year. These carry forwards are designated as Multi-Year Projects.

The Senior Leadership Team (SLT) have robustly reviewed all requests. The requests proposed in this report are endorsed by SLT. It should be noted that if any further carry forward requests are not approved, this will increase the below budget variance and increase the year-end contribution to reserves as well as potentially impacting service delivery.

Provisional 2023/24 Capital Forecast

- 3.4 There is a zero-forecast variance on the capital programme at outturn, however, this is subject to the recommended reprofiling and variations against several projects. A summary of the capital programme, including these variations, is provided at Appendix 3 to this report.

Capital Budget	Outturn		
	Budget	Actuals	Variance
	£'000	£'000	£'000
Seven Sisters Country Park – Reed Bed	60	161	101
Seven Sisters Country Park – Trading Company	30	30	0
Seven Sisters – Original Refurbishment Works	136	139	3
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	144	140	(4)
South Downs Centre – Cladding	80	89	9
New Vehicle	46	19	(27)
National Park Signage Project Phase 2	31	24	(7)
Total Capital Budget	527	602	75

- Reed bed costs include the purchase of the Klargaster unit, which was not forecast to be spent this financial year at Month 9. All costs for this project are to be funded from the DEFRA grant allocation for 'Water in Protected Landscapes', received in March 2024.
- Cladding works are progressing well and are on timetable.
- The proposed new vehicle was not received by the end of March 2024 and is due to be received imminently.

4. Impact on Reserves and Implications for the Medium Term Financial Strategy (MTFS)

- 4.1 The Authority's approved MTFS sets out resource assumptions and projections over a 5 year term. The provisional below budget revenue position of (£377,000) will have a favourable impact on the Authority's reserves position. However, following robust discussions at Committee Chairs/SLT with regards to the options for the utilisation of the provisional underspend, it is proposed to allocate (£345,000) of the below budget revenue

position to fund the following projects in 2024/25 and that the balance of (£32,000) be allocated to the strategic fund.

- £180,000 revenue contribution to a capital investment for refurbishment works to New Barn Cottage at Seven Sisters Country Park (SSCP) as works are urgently needed for a variety of reasons and will become more expensive if delayed.
- £50,000 revenue contribution to a capital investment for improvement works to SSCP car parks.
- £75,000 revenue investment for condition surveys in respect of all assets held at SSCP to help inform future spending priorities.
- £40,000 revenue investment to provide additional funds for PMP review including engagement strategy implementation.

4.2 The reserves position is provided in Appendix 4. Movements in reserves from the month 9 position include:

- £1,801,000 increase in Community Infrastructure Levy reserve for CiL funding Projects.
- £325,000 increase in S106 receipts and allocation of interest to balances at year-end.
- £54,000 increase in the Strategic Fund reserve, reflecting carry forward of allocated budgets for Strategic Funds projects.
- (£284,000) contribution from Invest to Save reserves for spend against approved projects in 2023/24.
- (£95,000) full utilisation of the transition reserve to fund final redundancy and pension strain costs in 2023/24.

5. Treasury Management Overview and Position

5.1 The 2023/24 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 30 March 2023. This section of the outturn report provides an update to the Committee on the performance against the treasury strategy and indicators and a summary of the Authority's investment position.

Economic Overview

5.2 An overview of the economic landscape during 2023/24 is provided by Brighton & Hove City Council's Treasury Advisors, Link Asset Services, at Appendix 5.

Investments

5.3 The Authority's investment portfolio of £14.566m as at 31 March 2024 is made up of the following:

- £1.500m sustainable fixed deposits held with Standard Chartered Bank;
- £1.500m fixed deposit held with Goldman Sachs International Bank
- £3.000m fixed deposit held with Lloyds Corporate Markets
- £2.000m fixed deposit with Oadby & Wigston Borough Council
- £2.000m fixed deposit with London Borough of Barking & Dagenham
- The remaining balance is invested via Brighton & Hove City Council (£4.566m as at 31 March 2024)

5.4 The table at Appendix 5 summarises the performance of these investments to 31 March 2024. The actual average interest rate earned in quarter 4 was 5.57% (compared to 3.19% average for quarter 4 2022/23). Investment returns improved during the first half of 2023/24 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for. Investment rates peaked in August 2023, and started to reduce during quarter 4 due to expectations of a first bank rate cut during the summer of 2024.

5.5 The average investment rate for 2023/24 was 5.01% compared to 1.98% in 2022/23 as a result of the increases in the Bank of England Base Rate. The average investment rate is expected to decline further during 2024/25 in line with expected reductions in the Bank of England Bank Rate.

5.6 The parameters for the Annual Investment Strategies were met in full during the year with no breaches.

Benchmark Rate for Investments

5.7 Since 2021/22, the Authority has used the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate during 2023/24 was 4.94% compared to an average investment rate achieved of 5.01%. The investment rate therefore outperformed the benchmark by 0.07%.

Borrowing

5.8 The 2023/24 Capital Strategy identified a total borrowing need for the Authority of £0.410m for investment in the Seven Sisters Country Park. The actual borrowing need within the capital programme was £0.120m due to the application of agreed Invest to Save reserves and DEFRA grant funding. However, the borrowing need of £0.120m has been met internally, effectively reducing the Authority's cash balances available for investment rather than undertaking external borrowing. This is cost effective, and an assessment has been undertaken to ensure that the cash balances remain an appropriate size to maintain this internal borrowing position, but this will be closely monitored.

Prudential Indicators

5.9 The below tables show the indicators that were agreed as part of the 2023/24 Treasury Management Strategy and the actual indicators for the year.

5.10 The Capital Financing Requirement (CFR) is the cumulative unfinanced capital spend. There is no external borrowing, and therefore the CFR is 100% funded through internal borrowing.

Capital Financing Requirement – underlying borrowing need	2023/24 Estimate £'000	2023/24 Actual £'000
Opening Balance*	1,195	1,120
New Borrowing	410	120
Minimum Revenue provision	(27)	(19)
Closing Balance – underlying borrowing	1,528	1,221
External Borrowing	0	0
External borrowing as a % of CFR	0.0%	0.0%

*excludes lease liability of £805,000 for SSCP (balance as at 31/03/24)

5.11 The below table shows the borrowing limits agreed for 2023/24 As no external borrowing was undertaken, the borrowing limits have therefore been adhered to for the year.

2023/24 Borrowing Limits	Authorised Limit £'000	Operational Boundary £'000
Indicator set	2,600	2,300

Maximum borrowing outstanding during 2023/24	0	0
Variance	*2,600	2,300

**cannot be less than zero*

5.12 The Authorised Limit is the maximum external debt that the Authority can enter into. This limit can only be revised by agreement of the full Authority. The operational boundary is the limit that the external debt is not expected to exceed during the year.

6. Options & cost implications

6.1 By continuously identifying and explaining variances against budgets, the Authority can identify risks, changes, and new resource requirements at the earliest opportunity. A below budget variance at the end of the financial year increases reserve levels and has implications for the Medium Term Financial Strategy of the Authority.

7. Next steps

7.1 Annual budgets are approved by the National Park Authority (NPA). Budget monitoring is a key component of the Authority’s overall performance monitoring and control framework and is reported at least quarterly to the Policy & Resources Committee.

8. Other implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. The provisional budget variance will result in contributions to the Authority’s financial reserves. This has implications for the Medium Term Financial Strategy of the Authority as it impacts on the future resource assumptions and financial projections. The resource implications have been covered within the main body of the report.
How does the proposal represent Value for Money?	The proposed carry forwards ensure delivery of initiatives already approved and committed. Internal controls and governance are in place to ensure the economical, efficient and effective use of resources.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	None
Links to other projects or partner organisations	Yes. CIL-related schemes and many other projects are delivered in association with partners.
How does this decision contribute to the Authority’s climate change objectives	The report includes positive action to ensure finance is available for climate change, biodiversity, and nature recovery.
Are there any Social Value implications arising from the proposal?	No

Implication	Yes*/No
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	There are no implications arising directly from this report. The Authority's equality duty shall be taken into account in respect of all expenditure and programmes undertaken by the National Park Authority.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Data Protection implications?	No

9. Risks Associated with the Proposed Decision

9.1 There are no risks directly associated with this report. Finance and Budget risks are monitored closely and are included in the Authority's Corporate Risk Register (Risk 02).

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Appendices:

1. 2023/24 Provisional Revenue Outturn by Service Area
2. 2023/24 Budget Carry Forward Requests
3. 2023/24 Provisional Capital Outturn
4. 2023/24 Reserves Position
5. 2023/24 Treasury Management Performance and Economic Background provided by Link Asset Services
6. Explanation of Key Terms

SDNPA Consultees Interim Chief Executive; Interim Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Head of Finance and Corporate Services

External Consultees None.

Background Documents Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.

This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedure.

2023/24 Revenue Key Variance by Service Area – Explanation of Movements since last Quarter (Q3/Month 9)

	Variance Month 9	Variance Outturn	Movement	
Service	£'000	£'000	£'000	Explanation of Main Movements
Corporate Services	(59)	159	218	Above budget variation on Green Finance income.
Seven Sisters Country Park	0	(18)	(18)	Building repair costs less than previously forecast.
Countryside Policy & Management	(130)	(184)	(54)	Vacancies across the service. Reduced costs in Research & Performance (£37,000).
Planning	(179)	(334)	(155)	Third Party payments less than previously forecast.
Strategic Investment Fund	0	0	0	
Totals	(368)	(377)	(9)	

2023/24 Revenue Key Variance by Service Area – Explanation of Main Variances

2023/24 Variance Outturn £'000	Service Area	Explanation of Main Variances
3	Chief Executive's Service	Minor variance.
198	Business Services	£426,000 above budget variance against income for Nature Recovery Initiative (Green Financing). There was an additional net below budget income variance of (£175,000) against investment income. There was a net below budget salary variance of (£93,000), due mainly to vacancies across the service. There were one-off costs of £20,000 for compensation to SDCO for the delay in the handover of Foxholes cottages and other minor net above budget variances across the service of £11,000.
(18)	Seven Sisters Country Park	Net below budget variance is due to an underspend against building repair costs.
(37)	Marketing and Income Generation	Net below budget variance across supplies and services.
(4)	Governance and Support Services	Minor variance.
141	Total Corporate Services Variance	
10	Director of Countryside Policy and Management	Net above salary variance.
(30)	Countryside and Policy Central	Net below budget salary variance is due to a staff member recruited at a lower cost than budgeted.

(16)	Countryside and Policy Eastern	Net below budget salary variance due to vacancies.
(69)	Countryside and Policy Western	Net below budget salary variance due to vacancies.
(79)	Research and Performance	(£68,000) below budget variance within the Performance and Projects team, this is due to a change to the work programme and (£5,000) net below budget salary variance is due to a staff member employed for fewer hours than budgeted and other net minor variance in mileage costs.
(184)	Total Countryside Policy and Management Variance	
(7)	Director of Planning	Minor variance.
(123)	Planning Development	Net below budget salary variance is due to vacant posts within the service across the financial year.
3	Performance and Technical Management	Net below budget variance of £169,000 on planning income fees; this is offset by a (£150,000) net below budget variance on Delegated Agreements payments and minor net above budget variances.
(207)	Planning Policy	(£66,000) net below budget salary variance due mainly to one-off funding for Ecologist role and vacant posts and (£103,000) lower than anticipated budget requirements for third party payment costs.
(334)	Total Planning Variance	
0	Strategic fund Projects	No variance.
(377)	Total Revenue Budget Variance	

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2023/24 Carry Forward Requests

Amount £'000	Service Area	Type	Description
35	Research & Performance	Contractual	PMP 2020-25 Review & 2025-30 development. Strategically essential.
34	Countryside Western Area	Contractual	Purchase order raised - manufacture, and install wayfinding signage and totem for project, which has been delayed due to street work permit delays outside of our control.
12	Research & Performance	Contractual	Volunteering audit which was not able to take place in 23/24, but will take place in 24/25.
12	Research & Performance	Contractual	Performance Tracker snagging and One Planet development (this was originally planned for One Planet in 23/24 but was not needed due to securing Innovate UK funding but will be used in 24/25 for PMP One Planet development).
11	Research & Performance	Contractual	Species monitoring development which could not take place in 23/24 but will take place in 24/25. Essential corporate plan monitoring requirement.
10	Countryside Central Area	Project	Purchase order raised - River Lavant survey works.
9	Countryside Western Area	Contractual	Purchase order raised - ITQ Feasibility Study – Sustainable Drainage Solution.
5	Countryside Eastern Area	Contractual	Neil Hulme's butterfly surveys.
4	Projects	Contractual	Income received from Gatwick Airport in 19/20 for the Miles without Stiles Project; balance of income to be carried forward into 24/25. Conditions all met.
4	Countryside Western Area	Contractual	Blacknest: - x60 bentonite bags of powder, x 1 day of pond consultation and pond construction (digging works)
2	Research & Performance	Contractual	Various purchase orders raised, but work not starting until April.
137	Total Countryside and Policy Management Carry Forwards		
20	Property Services	Contractual	Essential decoration works to South Downs Centre, following cladding works.
15	Communications	Project	Delay in next phase of our ReNature campaign development. Part of the money was to fund a film on water and rivers and the rest to promote the next phase of the ReNature campaign around species.
3	Communications	Project	Funding is for events equipment including a new gazebo for OVCA public engagement which wasn't able to be delivered by end of March.
38	Total Corporate Services Carry Forwards		
118	Planning	Project	Midhurst shoring up works - carry forward of project budget to 24/25.
50	Performance & Technical Management	Contractual	Carry forward of planning underspend for 23/24 to go towards increased costs of S101 agreements (higher rates payable from October 2024).
168	Total Planning Carry Forwards		

Amount £'000	Service Area	Type	Description
343	Total Carry Forwards for 2023/24		

Multi-year project carry forwards:

Amount £'000	Service Area	Type	Description
319	Planning Policy	Contractual	This is for the Local Plan Review. This is, by definition, a multi-year project. This money is expected to be spent in 24/25 in full.
70	Countryside Central Area	Grant	Monies held from partners for the ongoing of costs of delivery for the Rural West Sussex Partnership Scheme.
60	Countryside Western Area	Project	Carry forward of Farm Clusters Budget into 24/25 for projects that are not funded under FIPL.
46	Projects	Project	Carry forward of Wealden Heath budget as Project is for 3 years. Note, this is funded by a Section 106 agreement.
28	Projects	Grant	Monies received from Winchester City Council for creating a Woodland Carbon Platform and this will be spent in 2024/25.
24	Projects	Grant	Forestry Partnership - carry forward of remainder of National Parks grant income for Forestry Project.
22	Projects	Grant	This is a project set up from Custom Build new burdens funding several years ago.
569	Total Multi-Year Projects		
912	Total Carry Forwards Requested		

This table may have minor visual roundings.

2023/24 Provisional Outturn Capital Forecast

Capital Project	2023/24 Outturn Original Budget	2023/24 Outturn Variation	2023/24 Outturn Adjusted Budget	2023/24 Outturn Actual	2023/24 Outturn Variance	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	£'000	%
Seven Sisters Country Park – Reed Bed	60	101	161	161	0	0.0%
Seven Sisters Country Park – Trading Company	30	0	30	30	0	0.0%
Seven Sisters – Original Refurbishment Works	136	3	139	139	0	0.0%
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	144	(4)	140	140	0	0.0%
South Downs Centre – Cladding	80	9	89	89	0	0%
New Vehicle	46	(27)	19	19	0	0%
National Park Signage Project Phase 2	31	(7)	24	24	0	0%
Total Capital Budget	527	75	602	602	0	0.0%

Details of variation requests and explanation of significant variances

Capital Project Variation	Variation Type	Value	Description
Seven Sisters Country Park – Reed Bed	Variation (subject to NPA approval)	101	The variation is due to spend being ahead of the forecast at Month 9. To be funded in full by DEFRA capital grant for 'Water in Protected Landscapes'.
Seven Sisters – original refurbishment works	Variation (subject to NPA approval)	3	Minor variance.
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	Reprofile (subject to NPA approval)	(4)	Minor variance.
South Downs Centre – Cladding	Reprofile (subject to NPA approval)	9	The cladding works are still ongoing, but spend was slightly ahead of Month 9 forecast.
New Vehicle	Reprofile (subject to NPA approval)	(27)	The planned delivery of the new vehicle did not take place by the end of the financial year, as previously forecast.
National Park Signage Project Phase 2	Reprofile (subject to NPA approval)	(7)	Minor variance.

2023/24 Provisional Outturn Reserves Position

Reserve Type and Title	Purpose of Reserve	2023/24 Month 9 £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2023/24 Outturn £'000
General Reserves:					
General Reserve	General Reserve representing the 2023/24 approved budget surplus	0	0	0	0
Approved Risk Reserves:					
Working Balance (Minimum)	Working Balance	663	(68)	0	595
Working Balance (MTFS)	Working Balance	0	10	0	10
Planning Reserve	To fund unforeseen planning inquiries, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	358	0	0	358
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	216	0	0	216
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	395	0	54	449

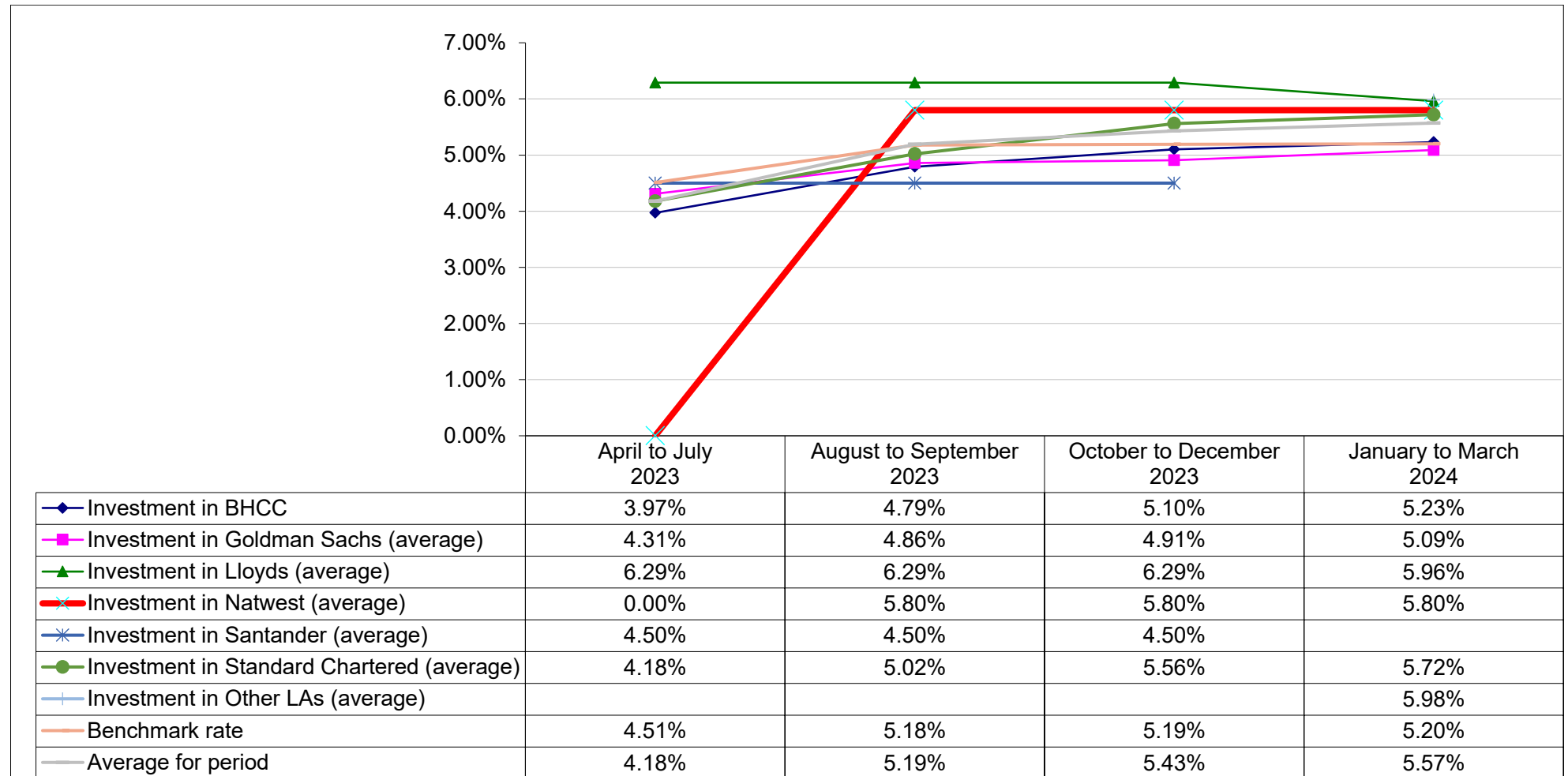
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park.	161	0	0	161
Invest to Save	To support future schemes to save money in future years.	1,440	0	(284)	1,156
Transition Reserve	To support the work to adjust SDNPA's expenditure profile in line for future funding constraints.	37	58	(95)	0
Trading Company Borrowing Reserve	This will allow the company to borrow funds to purchase assets to allow operations at SSCP to begin.	250	0	(30)	220
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	52	0	0	52
Nature Based Solutions (Green Finance) Reserve	Funds to support the management of nature recovery funded from income received in previous years.	167	0	8	175
Funds held in lieu of Agreements					
South Downs Way	Funding transferred from South Downs Joint Committee	20	0	0	20
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park.	184	0	161	345
Section 106 Interest on Statutory Receipts		264	0	164	428
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas.	6,116	0	1,801	7,917
Capital (Timing) Reserves:					
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	28	0	6	34

Estates Management Reserve	To support refurbishment of area offices.	50	0	0	50
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	49	0	(19)	30
Total Reserves Balance		10,450	0	1,758	12,216

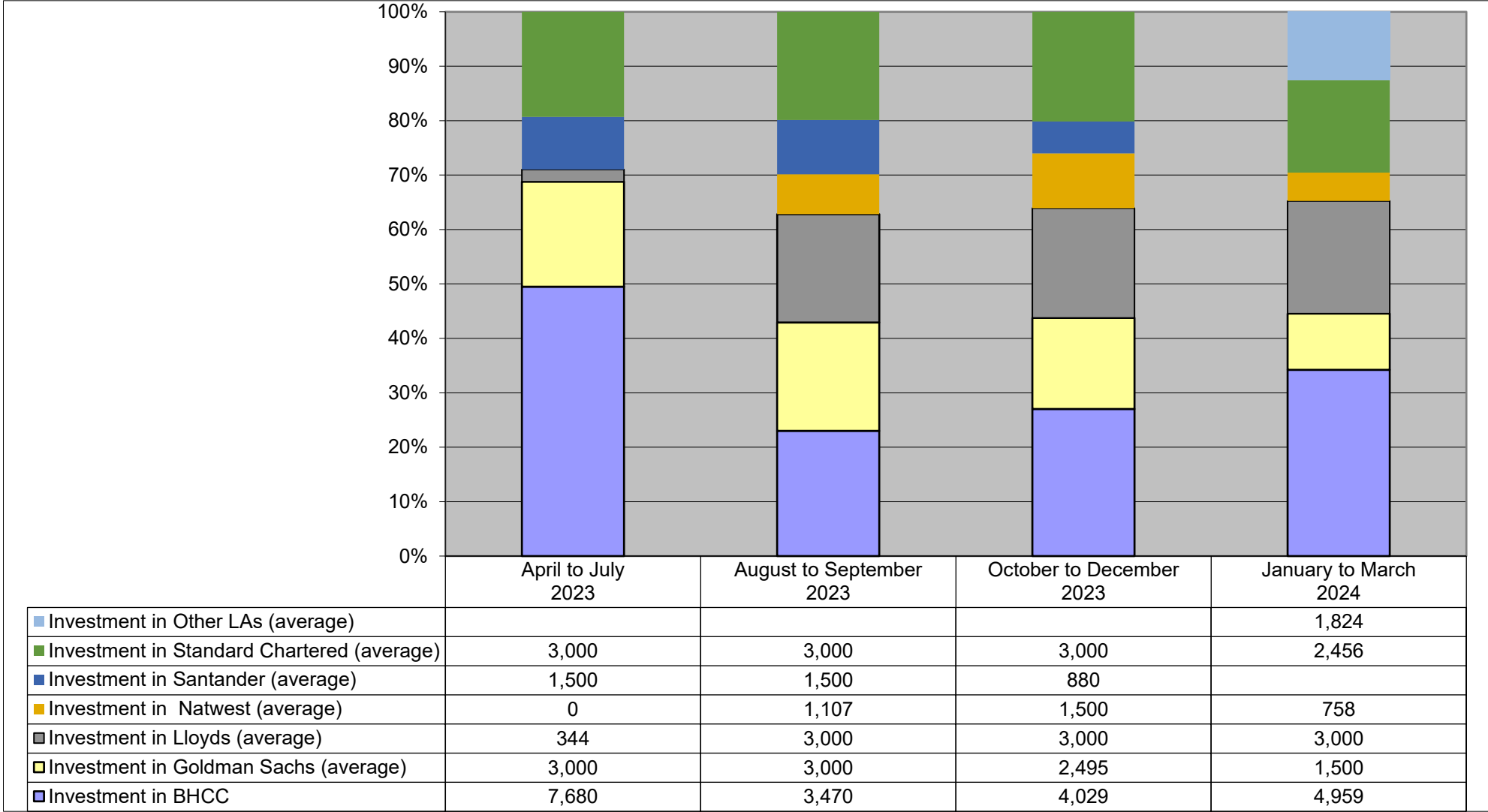
* *The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990. The reserve value may not represent the value of actual income received due to agreed payment terms and profile of payments for some developments.*

2023/24 Treasury Management Performance

Average Interest rate achieved on Investments compared to Benchmark



Average amount invested (weighted by amount per day)



ECONOMIC BACKGROUND – Provided by Link Asset Services 05/04/24

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks’ on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (- 0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank’s communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that “the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures”, conversely it noted that key indicators of inflation persistence remain elevated and policy will be “restrictive for sufficiently long” and “restrictive for an extended period”.

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs

some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy.

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

EZ Economy.

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

Explanation of Key Terms

Key Term	Explanation
Above budget Variance	Difference between budgeted and actual/forecasted activity which would have an adverse impact on the Authority’s financial position, e.g. expenditure in excess of available budget, or less income than budgeted.
Below budget variance	Difference between budgeted and actual/forecasted activity which would have a favourable impact the Authority’s financial position, e.g. less expenditure than budgeted, or more income than budgeted.
Budget Carry Forward	Unspent revenue budgets to be moved from one financial year to another where circumstances mean that it is not possible to spend budgets in the current financial year.
Capital Expenditure	Expenditure involving the acquisition or enhancement of assets with a long-term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles.
Capital Programme	Approved budgets for capital expenditure over the Medium Term Financial Strategy period which supports priorities informed by the Members’ Budget Workshops and outcomes identified in the PMP.
Capital Reprofile	Unspent capital budgets to be moved from one financial year to another where circumstances mean that it is not possible to spend capital budgets in the current financial year.
Financial Procedures	Approved procedures which set out the responsibilities of Members and officers of how Financial Regulations are to be applied in practice.
Financial Regulations	Approved responsibilities of Members, directors, statutory officers and managers in looking after the financial affairs of the Authority. It seeks to ensure high standards of financial conduct, and probity in dealing with public money.
Medium Term Financial Strategy (MTFS)	Planned use of resources over a five-year period taking into consideration assumptions for anticipated changes in commitments, savings and grant income.

Movement	Changes in actual/forecasted activity compared to previously reported forecasts.
Non-Grant Funded Budgets	Expenditure budgets that are not funded by grants from external bodies
Provisional Outturn Position	The anticipated year-end financial position of the Authority subject to any required approvals and assessment from external auditors.
Reserves	Funds retained to provide for future services and activities, usually earmarked for specific purposes, subject to maintaining prudent levels and any statutory limitations
Revenue	Expenditure and income required to meet ongoing day-to-day activities of the Authority. Examples include salaries, wages, material, supplies and services.
Ringfenced Grants	Financial assistance from external bodies to fund specific activity, where conditions exist to repay the grant should it not be used to fund the specified activity.
Unringfenced Grants	Financial assistance from external bodies to fund activity, where no conditions exist to repay the grant.