

Report to **Policy & Resources Committee**
Date **20 February 2025**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report 2024/25: Month 9**

Note

Recommendation: The Policy & Resources Committee is recommended to:

- 1. Note the 2024/25 Revenue Forecast position as at month 9 of a net (£159,000) below budget variance.**
 - 2. Note the 2024/25 Capital spend and commitments as at month 9 indicating a zero budget variance.**
 - 3. Recommend that the National Park Authority (the “NPA”) approve the capital variations as set out in Appendix 2a.**
 - 4. Note the Reserves position as at month 9, as set out at Appendix 3.**
 - 5. Note the Treasury Management overview and position as at month 9, as set out at Appendix 4 & 5.**
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1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2024/25 financial year on the 29 March 2024. 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 2024/25 forecast financial position as at the end of month 9 (December).
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 29 March 2024. In accordance with financial procedures, the Policy & Resources Committee shall receive quarterly treasury management update reports. This report provides an overview of the current economic and treasury management position as at the end of month 9 (December) 2024/25.

2. Policy Context

- 2.1 The revenue and capital budget are developed to align with Corporate Plan priorities which have now been more tightly defined around Nature Recovery, Climate Action and a Park for All. The budget monitoring process reports on variances against approved budgets to identify changes and resource requirements at the earliest opportunity.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2024/25 forecast revenue outturn as at month 9 is a net below budget variance of £159,000. The month 9 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances.
- 3.2 At the meeting of the South Downs National Park Authority on 9 July 2024 it was agreed that the Operating Agreement for the management of Seven Sisters Country Park (SSCP) with South Downs Commercial Operations Ltd (SDCOL) would be terminated on 9 October 2024 and the above budget variance shown against SSCP for month 9 reflects the cessation of both the service charge and operating agreement income from this date. The full financial impact of this decision on the Authority's financial position will be integrated into Q4 considerations around the use of budget underspend and appropriate use of reserves, however a high level risk estimate is included in the main report.
- 3.3 A summary of the forecast revenue position is provided by service area below and the revenue movement between budget and forecast and the key variances by service are provided in Appendix I.

Directorate	2024/25 Budget Month 9 £'000	2024/25 Forecast Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
Corporate Services	4,403	4,504	101	2.30%
Seven Sisters Country Park	0	280	280	0.00%
Countryside Policy and Management	3,114	3,012	(102)	-3.28%
Planning	4,120	3,819	(301)	-7.31%
Strategic Projects	433	433	0	0.00%
Total Directorate Budget	12,070	12,048	(23)	-0.19%
National Park Grant	(10,599)	(10,736)	(137)	1.29%
Contribution to/from Reserves	(1,471)	(1,471)	0	0.00%
Total Authority Budget	0	(159)	(159)	

- 3.4 There is a financial risk associated with the operations of SDCOL being bought into SDNPA which is set out in the table below. This outlines the cumulative impact of the previous years financial position for SDCOL as well as the resources available to offset those losses. The current estimated net cost after available resources is £349,000 this is not included in the month 9 forecast above.
- 3.5 This is an estimate only and is subject to change pending the final review of all transactions associated with the process. This will be reported as part of the year end outturn report.
- 3.6 There are two main mitigations available to manage this risk, the first being to use any further underspend reported as part of the 2024/25 outturn or to use current reserves available.

Impact of SDCOL operations being bought into SDNPA	£'000
Debt owed to SDNPA from SDCOL	685
Trading Company borrowing reserve (no longer required)	(220)
SDCO Bank Balance at January 2025	(116)
Financial Risk associated with winding up SDCO	349

- 3.7 **Salaries:** As in previous years, the approved salary budgets for 2024/25 include a 10% net turnover rate (*applied for average of 9 weeks of the financial year*), which reduces the overall salary budget by (£119,000). The net salary forecast across all services is (£182,000) below

budget at month 9. If the budget had not been reduced by the turnover rate, the net salary forecast for month 9 would be below budget by (£301,000). It should be noted that the forecast represents known staffing levels at the time of review. The staffing structure is kept under continuous review and the replacement of vacancies and creation of new posts are only agreed following Senior Leadership Team approval where there is a clear operational requirement and sufficient budget identified. No organisation can expect to operate at full complement and a moderate level of turnover is both unavoidable and desirable.

- 3.8 **Planning Income: At quarter 3, there is an anticipated net below budget (adverse)** variance of £158,000 on Planning Income fees, due to reduced numbers of planning applications being received, reflecting the national trend. The variance has been offset by a reduction in delegated agreement payments, currently expected to be (£175,757) less than budgeted (favourable).
- 3.9 The Capital Programme forecast at month 9 is showing budget variations for the year requiring approval of (£346,000) as detailed at **Appendix 2** to this report. However, the variance for the year-to-date is shown below to provide an indication of the progress of capital schemes and there are several budget reprofiling requests due to revised project timelines.

Capital Budget	YTD at Month 9		
	Budget	Spend, plus commitments	Variance
	£'000	£'000	£'000
Seven Sisters Country Park – Reed Bed	578	451	(127)
Seven Sisters Country Park – Micro Tractor	20	0	(20)
New Barn Cottage Improvement Works	207	25	(182)
Seven Sisters Country Park – Trading Company	0	0	(0)
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	79	28	(51)
South Downs Centre - Cladding	78	80	2
South Downs Memorial Hall – AV equipment	35	24	(11)
IT Infrastructure	175	152	(23)
QECP Partnering arrangements	40	0	(40)
South Downs Centre - External redecorations	25	0	(25)
New Vehicles	67	67	(0)
National Park Signage Project	17	15	(2)
Total Capital Budget	1,321	843	(478)

Review of Reserves

- 3.10 A schedule of reserves held by the Authority is provided at Appendix 3, which gives the purpose, movement, and balance of each reserve. The movements in reserves in 2024/25 to date are shown below and at Appendix 3 for information. The creation of reserves and any transfers to and from reserves must be approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.

The main movements in reserves to date are shown below:

- (£377,000) transfer from the General reserve, being the unaudited underspend for 2023/24, to mainly fund one-off projects as agreed at NPA in July:

- £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.
- £32,000 transferred to Strategic Fund.
- (£218,000) transfer from Strategic funds for Projects for 2024/25 including Communities in the South Downs, Moulsecomb Ambassador School, Energy Audits Culture & Heritage Sites, UCL Knowledge Exchange, Historic Hedgerows, Adur Wetland Creation Feasibility Project (Pad Fm), Arun Landscape Farm Cluster Facilitation, Winchester Climate Action Network - WeCAN Phase 2, Grazier Project, Dewpond Project, Revealing Grandfathers Bottom, Timescape, Rother Action Plan and New Ways of Working project.
- £70,000 transferred to reserves, as per budget setting 2024/25.
- £40,000 transferred to the Strategic Fund from revenue funding agreed as per budget setting 2024/25.

3.11 The Reserve Table at **Appendix 3** sets out reserves under headings that categorise the level of control and influence the Authority has over each type of reserve. The table shows that the Authority holds approved and recommended risk reserves of: £1,033,000 with a working balance requirement of £595,000 as set out in the Reserve table, which must be maintained to demonstrate financial prudence and resilience; Capital Reserves of £114,000 to manage the timing of capital payments across financial years and £8,613,000 in relation to S106, CIL and other agreements over which the Authority does not have direct control. The reserves over which the Authority has direct influence and control are therefore ‘General Reserves’ which have been fully allocated, and ‘Earmarked Reserves’, which currently stand at £2,274,000 to meet approved projects and programmes.

Treasury Management Overview and Position

3.12 The 2024/25 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 29 March 2024. This section of the report provides a mid-year update on the performance against benchmarks and the key indicators in the Authority’s Treasury Management Strategy for the first six months of the year.

Economic Overview

An overview of the economic landscape at as December 2024 is provided by Brighton & Hove City Council’s Treasury Advisors, Link Asset Services, at Appendix 4.

3.13 Investments

The Authority’s investment portfolio of £20.203m as at 31 December 2024 is made up of the following:

- £1.500m sustainable fixed deposit held with Standard Chartered Bank;
- £1.500m fixed deposit held with Goldman Sachs International Bank
- £4.500m fixed deposits held with Lloyds Corporate Markets
- £8.000m loans to other Local Authorities (4 authorities at £2m each)
- The remaining balance is invested via Brighton & Hove City Council (£4.703m as at 31 December 2024)

- 3.14 Investments held with external counterparties have increased by £5.500m since 1 April 2024 in order to allow the Authority to lock into investment rates, at a time when interest rates are expected to continue to fall. This excludes the balances invested via Brighton & Hove City Council which are held to ensure liquidity to manage day to day cash requirements.
- 3.15 The parameters for the Annual Investment Strategies were met in full during the period with no breaches.

Investment Performance and Risk

- 3.16 The table at Appendix 5 summarises the performance of these investments to 31 December 2024. The actual average interest rate earned between months 1 and 9 was 4.98%. Yields on the Authority’s investment portfolio have continued to reduce reflecting both the recent reduction to the Bank of England base rate and market expectations of further cuts.
- 3.17 The Authority uses the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate for months 1 - 9 was 5.01% compared to an average investment rate achieved of 4.98%. The investment rate therefore under-performed the benchmark by 0.03%. The maturity of 2 of the highest yielding investments by February 2025, will exert further pressure on yield.
- 3.18 The security of the Authority’s investment portfolio has been monitored to month 9, to assess the risk of loss. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. The investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.950% probability that the Authority will get its investments back). The actual indicator ranged between 0.009% and 0.019%. The indicator remains well within limits and the parameters for the Annual Investment Strategies have been met in full during the year to date with no breaches.

Borrowing

- 3.19 The 2024/25 Capital Strategy identified no borrowing need for the Authority. This is not forecast to change as at Month 9. The Authority’s cumulative borrowing need to date is expected to continue to be met internally. This is cost effective, and an assessment has been made to ensure that the cash balances remain an appropriate size to maintain this internal borrowing position, but this will be carefully monitored.

Prudential Indicators

- 3.20 The below tables show the indicators that were agreed as part of the 2024/25 Treasury management Strategy and the actual indicators for the year.
- 3.21 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 (CFR) (Underlying Borrowing Need)	Original Estimate 2024/25 £m	Revised forecast as at 31 Dec 2024 £m
Opening Balance*	1,230	1,221
New Borrowing	0	0
Minimum Revenue Provision	(29)	(21)
Closing Balance – underlying borrowing	1,201	1,200
External Borrowing as at 31 December 2024		0
Forecast Under-borrowing		1,200

*excludes lease liability of £770,000 for SSCP

3.22 The below table shows the borrowing limits agreed for 2024/25. As no external borrowing was undertaken, the borrowing limits have been adhered to for the year.

2024/25 Borrowing Limits	Authorised Limit* £'000	Operational Boundary* £'000
Indicator set	2,500	2,200
Maximum borrowing outstanding during 2023/24	0	0
Variance (Headroom)	*2,500	2,200

* From 2024/25 The Authorised Limit and Operational boundary include an estimate for leases bought onto the balance sheet under a change in leasing accounting regulations.

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

4. Options & cost implications

4.1 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 could increase reserve levels and have implications for the Medium-Term Financial Strategy of the Authority.

5. Next steps

5.1 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.

6. Other implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. Budget monitoring requires action plans to mitigate above budget variances to ensure that the Authority does not overspend on its available resources. A below budget variance at the end of the financial year could increase reserve levels and may have implications for the Medium-Term Financial Strategy of the Authority.
How does the proposal represent Value for Money?	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	No
How does this decision contribute to the Authority’s	None

Implication	Yes*/No
climate change objectives	
Are there any Social Value implications arising from the proposal?	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 considered in respect to 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

7. Risks Associated with the Proposed Decision

7.1 There are no risks directly associated with this report as the recommendations are for noting only.

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1. 2024/25 Revenue Key Variance by Service Area – Movement and Variances
 2. 2024/25 Capital Forecast
 3. 2024/25 Reserves Position
 4. Economic Background
 5. 2024/25 Treasury Management Performance
 6. Explanation of Key Terms

SDNPA Consultees Chief Executive; Director of Planning; Chief Finance Officer; Head of Governance and 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.

2024/25 Revenue Key Variance by Service Area – Explanation of Movements since last Month

Service	Forecast Variance Month 8 £'000	Forecast Variance Month 9 £'000	Movement £'000	Explanation of Main Movements
Corporate Services	130	102	(28)	Increase in net above budget costs for staffing and other costs, offset by a below budget variance in business rates, consultants, staff uniforms and training
Seven Sisters County Park	245	279	34	Decrease in sales and other income, and a net below budget variance in salaries
Countryside Policy & Management	(115)	(102)	13	Nature recovery costs
Planning	(61)	(301)	(240)	Net below budget costs in consultants and legal fees. Request for Local Plan underspend of £0.132m to be carried forward to 25/26.
National Park Grant	(137)	(137)	0	No movement.
Strategic Projects	0	0	0	No movement.
Total Authority Variance	63	(159)	(221)	

2024/25 Revenue Key Variance by Service Area – Explanation of Main Variances

2024/25 Variance Month 9 £'000	Service Area	Explanation of Main Variances
36	Chief Executives Service	Net above budget variance on salaries (£31k) and Trees for Schools contribution £3.5k
279	Seven Sisters Country Park	Net above budget variance arising from the decision to terminate the Operating Agreement for the management of Seven Sisters Country Park (SSCP) with South Downs Commercial Operations Ltd (SDCOL) with effect from 9 October 2024.
93	Business Services	Net below budget variance on staffing costs, including salaries, staff advertising and training (£19k), Net above budget costs on Property borrowing £27k, Building costs £22k, Insurances £10k, Subscriptions £10k, audit fees £12k, legal fees £7k and computer software £16k. Other miscellaneous costs total £15k offset by grant income of (£8k)
(12)	Marketing and Income Generation	Net below budget variance on staffing costs (£41k), net above budget design and reprographic £17k and media and events £14k
(15)	Governance and Support Services	Net below budget variance on Salaries and Members allowances (£17k), net above budget variance on Consultants fees £7k, and below budget variances on Internet costs (£6k) and Mileage allowances (£4k)
381	Total Corporate Services Variance	
(50)	Director of Countryside Policy and Management	Net below budget variance on staffing, resulting from vacancy for the first 5 months.
(26)	Countryside and Policy Central	Net below budget variances on the Central Ranger Service, Salaries (£5k) and Contributions to organisations/land owners (£20k)
(43)	Countryside and Policy Eastern	Net below budget variance on staffing and mileage, due to vacancies.
(44)	Countryside and Policy Western	Net below budget variance on Salaries (£15k), Contributions to Landowners (£20k), Mileage allowances (£2k) and South Downs Way National Trail costs (£7k).

(44)	Research and Performance	Net below budget variance within the Performance and Projects team, based on latest programme.
105	Countryside and Policy Management	Identified commitments against additional DEFRA grant.
(102)	Total Countryside Policy Management Variance	
(10)	Director of Planning	Minor net variance on Consultants fees
(105)	Planning Development Management	Net below budget variance on staffing (£34k), mileage costs (£5k), Consultant fees (£41k), Legal Fees (£13k) and Direct Action costs (£11k).
(29)	Performance and Technical Management	CIL (£4k), Development Management Finance Agreement (£25k) - Planning fees £158k, salaries £6k. Payments to OLAs (£181k), mileage allowances (£6k)
(158)	Planning Policy	Net below budget variance against the costs of Development Plan.
(301)	Total Planning Variance	
(137)	National Park Grant	Additional DEFRA revenue grant received - £113k allocated to services
(137)	Total National Park Grant Variance	
0	Strategic Projects	Net zero variance.
0	Total Strategic Projects Variance	
(159)	Total Revenue Budget Variance	

AGENDA ITEM 15 REPORT PR24/25-25 APPENDIX 2

2024/25 Capital Forecast

Capital Project	2024/25 Month 9 Original Budget	2024/25 Month 9 Variations including reprofile	2024/25 Month 9 New Scheme *	2024/25 Month 9 Adjusted Budget	2024/25 Month 9 Forecast	2024/25 Month 9 Variance	2024/25 Month 9 Variance
	£'000	£'000	£'000	£'000	£'000	£'000	%
Seven Sisters Country Park – Reed Bed	578	0	0	578	578	0	-0%
Seven Sisters Country Park – Micro Tractor	20	(20)	0	0	0	0	0%
Seven Sisters Country Park – Trading Company	0	0	0	0	0	0	0%
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	79	(79)	0	0	0	0	0%
South Downs Centre - Cladding	78	2	0	80	80	0	0%
South Downs Memorial Hall – AV equipment	35	0	0	35	35	0	0%
IT Infrastructure	175	0	0	175	175	0	0%
QECP Partnering arrangements	40	(40)	0	0	0	0	0%
South Downs Centre - External redecorations	25	(25)	0	0	0	0	0%
New Vehicles	67	0	0	67	67	0	0%
National Park Signage Project	17	(2)	0	15	15	0	0%
New Barn Cottage Improvement Works *	207	(182)	0	25	25	0	0%
Total Capital Budget	1,321	(346)	0	975	975	0	0%

*New Barn Cottage investment of £0.180m approved as part of 2023/24 outturn report – awaiting confirmation of NPA approval to set-up capital budget including an additional £0.027m -Report presented at 10th December NPA meeting.

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Capital Project Variation	Variation Type	Value	Description
Seven Sisters Country Park – Micro Tractor	Reprofile (subject to NPA approval)	(20)	The micro tractor is unlikely to be purchased in 24/25 as awaiting specification of requirements for this equipment.
South Downs Centre and Sevens Sisters Energy Efficiency	Reprofile (subject to NPA approval)	(79)	The project to put solar panels on both the SDC and SSCP buildings will not be completed in 24/25 and the project will need to be extended.
South Downs Centre Cladding	Increase Capital Budget	2	Final costs of cladding works were more than budgeted but the increase will be covered by the Invest to Save reserve.
QECP Partnering Arrangement	Reprofile (subject to NPA approval)	(40)	The funding for feasibility work and initial project partnership work was not all required as outcomes relating to land management, particularly Butser Hill and other areas beyond the immediate site, and greater collaboration on interpretation, were achieved by partnership work. Given uncertainties around County arrangements, land currently not being considered for any release by the Authority. The sum to be retained until interpretation requirements at QECP are finalised.
National Park Signage Project	Reprofile (subject to NPA approval)	(2)	This scheme is unlikely to be completed in 24/25.
New Barn Cottage Improvement Works	Reprofile (subject to NPA approval)	(182)	Work has not yet started on the New Barn Cottage improvements, although an architect has been appointed to include a schedule of works for a basic refurbishment.
South Downs Centre External Decorations	Reprofile (subject to NPA approval)	(25)	Project to redecorate the external areas of the South Downs Centre has been delayed due to poor weather. It will be delivered in 25/26.

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2024/25 Reserves Position

Reserve Type and Title	Purpose of Reserve	2023/24 Outturn £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2024/25 Month 9 £'000
General Reserves:					
General Reserve	General Reserve representing the 2023/24 provisional budget surplus	0	377	(377)	0
Approved Risk Reserves:					
Working Balance (Minimum)	Working Balance	595	0	0	595
Working Balance (MTFS)	Working Balance	10	0	70	80
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 the delivery of priorities to be identified in the Partnership Management Plan as approved as part of the budget report to the Authority on 30 March 2017.	216	0	0	216
Strategic Fund	Reserve to hold unspent Strategic Fund allocations	449*	0	(146)	303
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	161	0	0	161
Invest to Save Reserve	To support future schemes to save money in future years	1,156	0	0	1,156
Trading Company Borrowing Reserve	This will allow the company to borrow funds to purchase assets to allow operations at SSCP to begin	220	0	0	220
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	52	0	(10)	42
Green Finance (Nitrates) Reserve	The reserve is for nitrates monitoring and mitigation	176	0	0	176

Reserve Type and Title	Purpose of Reserve	2023/24 Outturn £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2024/25 Month 9 £'000
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	345	0	(6)	339
Section 106 Interest on Statutory Receipts		428	0	0	428
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	7,917	0	(91)	7,826
Capital (Timing) Reserves:					
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	34	0	0	34
Estates Management Reserve	To support refurbishment of area offices.	50	0	0	50
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	30	0	0	30
Total Reserves Balance		12,217	377	(560)	12,034

*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.

*The Strategic Fund Reserve balance includes budget for projects that are committed but not yet drawn down. The actual unallocated balance is £182k

ECONOMIC BACKGROUND – Provided by Link Asset Services 23/01/2025

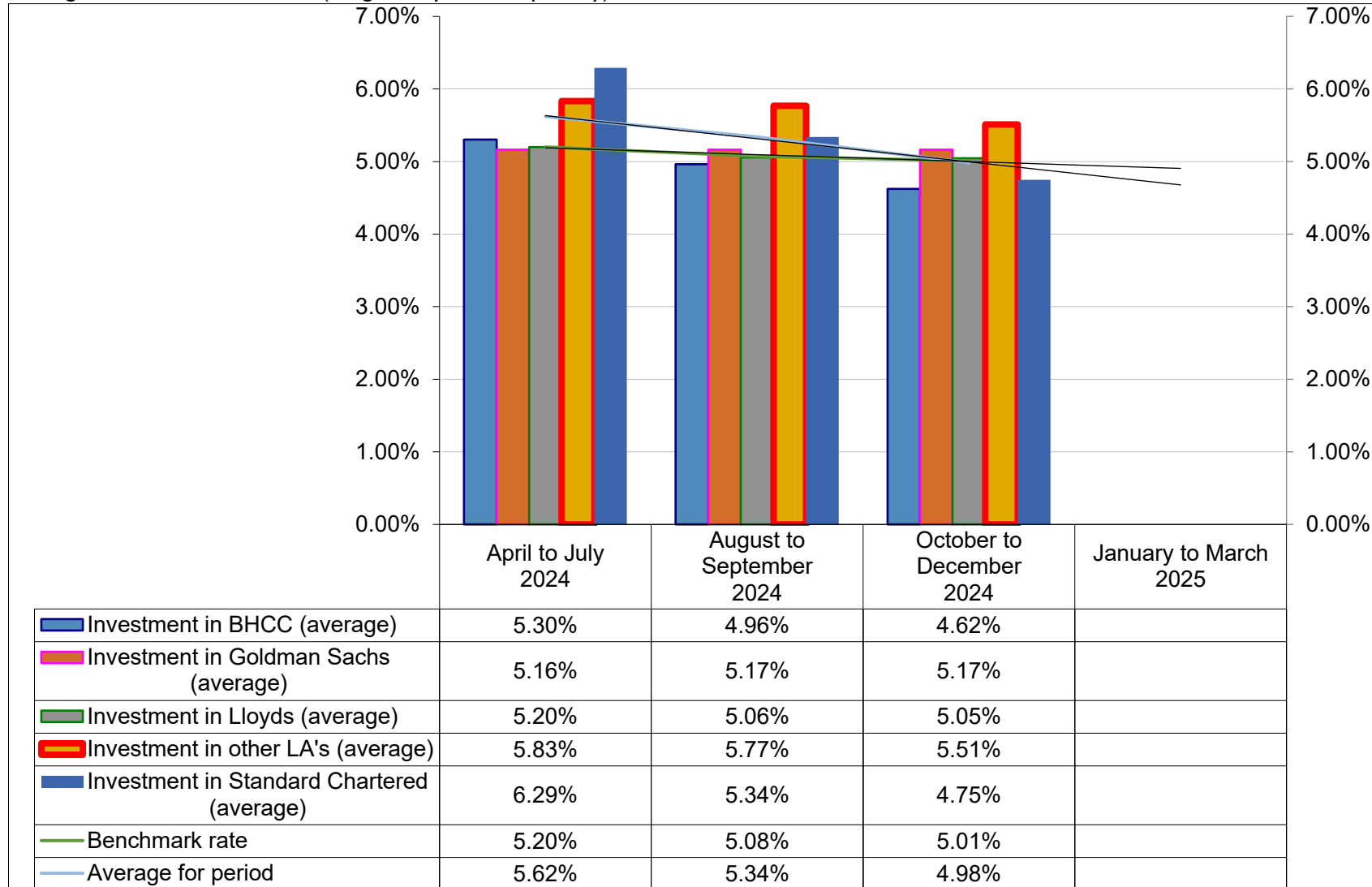
UK. Economy

- The Bank of England (BoE) kept Bank Rate unchanged at 4.75% at its December meeting. While the result was in line with market expectations, the vote was not, with two more members voting for a cut. The 6-3 vote provided a dovish tilt to the result, with those in favour of a reduction citing concerns over the economic outlook, which could pull inflation below target over the medium term.
- The meeting also saw the Bank lower its Q4 growth forecast from 0.30% to 0.00%. Regarding higher than expected private sector wage increases in the latest print, the Bank merely noted that this "tends to be volatile". Further, those members who voted for no change also reiterated that they still expected to deliver cuts in 2025, with Governor Bailey saying that "we think a gradual approach to future interest rate cuts remains right, but with heightened uncertainty in the economy, we cannot commit to when or by how much we will cut rates in the coming year."
- This pushed back on a hawkish shift in market sentiment seen in the run-up to the decision. Market sentiment regards the future policy path did see some fresh extension of rate cut expectations, but the first move has drifted back to the meeting in May, having been seen in Q1 previously.
- Thereafter, markets have also pushed back their views on the second cut, with this now not seen in 2025 at all having been previously pencilled in for September and then November's meeting in recent weeks.

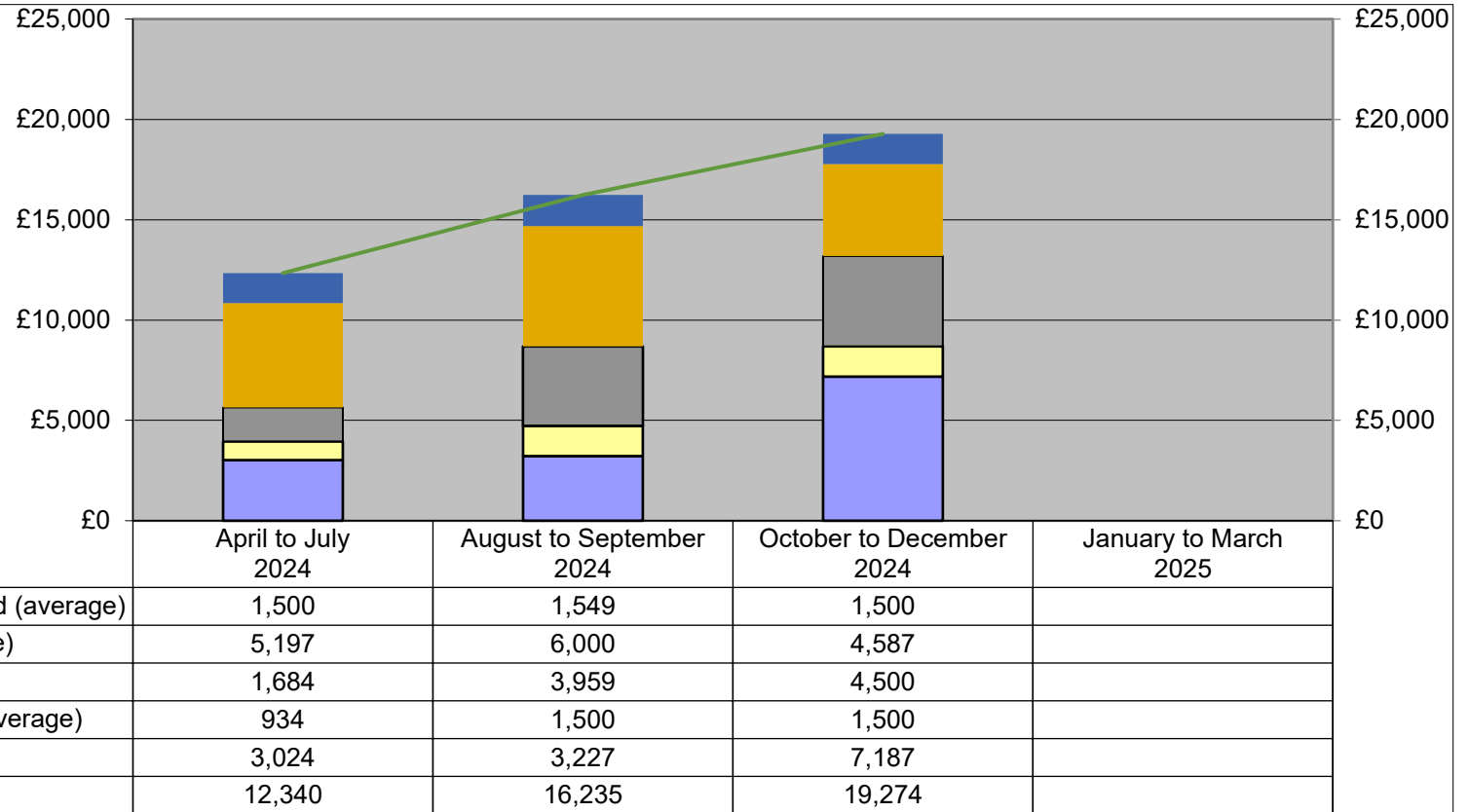
2024/25 Treasury Management Performance

Average Interest rate achieved on Investments compared to Benchmark (SONIA)

Average amount invested £'000 (weighted by amount per day)



AGENDA ITEM 15 REPORT PR24/25-25 APPENDIX 5



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.