Appendix 1

Financial Performance Q1 2022/23

1 Introduction

1.1 The budget approved by Council in February 2022 was balanced over the medium term and was set based on a number of key assumptions including pay and cost inflation. Inflation had been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government. Whilst there were concerns about the rapidly rising levels of inflation, the advice at that time indicated a short term and sharp spike rise in inflation followed by a return to previously experienced levels by early spring.

The CPI has since nearly quadrupled which when coupled with the proportion of use and demand for consumables such as utilities, fuel, goods and services has created and continues to give rise to significant budgetary concerns.

UK CPI table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2022	5.4%	6.1%	7.0%	9.0%	9.0%	9.4%	**10.1%**						
2021	0.7%	0.5%	0.7%	1.5%	2.1%	2.5%	2.0%	3.2%	3.0%	4.1%	5.1%	5.4%	**2.6%**
2020	1.8%	1.7%	1.5%	0.8%	0.6%	0.6%	1.1%	0.2%	0.6%	0.7%	0.4%	0.6%	**0.9%**

The Council operates Directorate cash limited budgets and Corporate Management Team/Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending in line with the directorate's overall budget limit. The challenges facing local residents as a result of the cost of living crisis are very real and very urgent. The council cannot singlehandedly resolve these complex and national level issues. There has been a wave of authorities at every level that have revealed their budget plans are in pieces due to the huge spike in costs since April 2022 and authorities across the country are not immune to the national financial pressures while facing increasing demand and increasing cost pressures.

1.2 Various authorities are dealing with a very difficult set of circumstances currently and face a real challenge to balance the budget this year, while forecasting a significant overspend with the main causes being record inflation levels, soaring energy prices, pay deal for staff, etc. This is the reality for councils across the country at the moment and it has been widely reported that inflation, energy costs and other current challenges are predicted to lead to £2.4bn in extra cost pressures to councils this year alone, rising to £3.6bn in 2024-25. Therefore, there might be a need for various authorities including this Council to lobby the Government for additional supports.

Another critical issue for the council is that its capital projects are facing an uncertain future due to the increase in material costs. It is too early to have a clear view of the impact of the inflationary pressures while the assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started may need to be re-evaluated. In the same way households are struggling with rising costs, it is also becoming more and more expensive for the council to provide the services that people need. This comes at a time when the Council's budgets are already under immense strain, with savings already required due to the impacts of austerity and the pandemic.

1.3 Through the Priority Based Budgeting approach, each area of the Council's expenditure was scrutinised, and a range of ongoing budget reduction options were prepared for members' consideration. Some of the proposals will deliver a level of budget reduction in the current financial year, whilst others will yield savings, or increased income generation for years to come. Future budget setting will be taking into consideration current financial pressures and challenges due to ongoing inflation trajectory. The Council has a robust governance process for tracking delivery of agreed savings through the Recovery and Stabilisation Programme meetings, whilst work is still underway to assess developed savings plans.

1.4 The Council's overall annual revenue spend is managed and monitored across a number of areas and at Quarter 1, the budget holders are forecasting a risk of overspend of approximately £0.958m (as shown within the table below), which CMT should in the first instance set out in-service options for mitigation. Where these are considered undeliverable, or pressures cannot be contained across the directorate the budget monitoring/scrutiny process will be triggered and a request may be made for the Cabinet to consider granting a supplementary estimate redirecting funds from an alternative source.

1.5 Through careful planning and re-profiling during the 2021/22 year-end, the Council has been able to provide resilience by setting aside specific reserves to address ongoing Cost of living, Inflation, Fuel & Energy Cost and Bad debt along with carry forwards, £1.3m of these have been brought into the position as one-off funding to provide relevant immediate support.

2 General Fund

2.1 The General Fund projected out-turn for 2022/23 as at 30.6.22, quarter 1, is shown in the summary table 1 below, as an overspend against budget of £958,910:

Table 1: Summary of projected out-turn as at Quarter 1	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Corporate Services	3,824,350	2,717,480	3,848,450	24,100
Service Delivery	7,538,650	5,161,283	7,723,164	184,514
Regeneration and Planning	(51,850)	2,239,529	1,049,368	1,101,218
Tourism and Enterprise	2,203,550	534,168	2,252,628	49,078
Net Cost of Services	13,514,700	1,216,461	14,873,610	1,358,910
Other Operating Income & Expenditure	487,450	249,351	237,450	(250,000)
Capital Financing	2,103,400	442,414	1,953,400	(150,000)
Transfer from reserves *		0		0
Net Budget	16,105,550	1,908,226	17,064,460	958,910

2.2 The projected out-turn for 2022/23, advised by budget holders as of 30 June 2022 is an overspend against budget of £958,910.
Some of the provisions from 2021/22 were carried forward due to reprofiling and alignment of budget. Where applicable these have been incorporated into relevant

budgets. These are for noting at this point and will be formerly updated as part of the mid-year revision and budget setting process.

The residual projected overspend of £958k, in the main is due to the anticipated impact of price inflation for energy costs, currently projected at an additional cost of £500k, increased cost of goods and services and pressures in regeneration and planning, which are explored further below.

Inflation is currently at over 10% and is expected to rise to over 13% by October 2022, fuel prices continue to be the main contributor to this. The bank of England has increased base rates to the highest they have been in over 13 years impacting the cost of borrowing and impacting mortgage interest rates.

The impact on consumer spending power, and bad debts is uncertain especially on income targets in areas such as Tourism, hospitality and Culture which are still recovering from Covid, due to careful planning in 2021/22 we have been able to mitigate against this impact of inflation, pending delivering of solutions and savings.

We afforded and set aside reserves as at 2021/22-year end to provide resilience and as a result we have been able to bring into position £1.322m of one of funds to support 2022/23 position, this affords us a little more time to see delivery of recovery and stabilisation programme and to deliver more efficiency plans to mitigate inflationary impact. Tourism and Culture. has been supported from £755k of one-off funds from earmarked reserves.

Planning have required reserves of £204k to afford the local plan which is required every 4 years. £90k of BCF carry forward has been brought forward to support the service and bottom line and £250k to support increased energy costs are shown in the position to support the pressure on fuel.

The budget includes savings targets of £3.294m, which have been deducted from the relevant service, some alternatives will need to be found and solution to the predicted overspend will need to be considered to deliver a balanced budget by 31 March 2022 and to deliver a balanced budget for 23/24.

Key variances are set out in the following table:

2.3 Corporate Services, projected overspend £24,100:

Corporate Services	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Corporate Management Team	79,850	728,624	79,850	0
Financial Services	1,265,400	(560,981)	1,274,700	9,300
Human Resources	370,250	322,126	376,850	6,600
Total Information Technology	1,204,600	2,103,624	1,175,000	(29,600)
Total Legal	248,450	(249,775)	248,450	0
Total Local Democracy	741,550	406,841	779,350	37,800
Local Land Charges	(85,750)	(32,980)	(85,750)	0
Corporate Services	3,824,350	2,717,480	3,848,450	24,100

Corporate Services are showing a small projected overspends due to:

Financial Services £9k due to staff Agency costs
Human resources £6k due to increased training costs
Information Technology(£29k) savings on staff and server costs
Democratic services £37k unfunded role

2.4 Service Delivery, projected overspend £184,514:

Service Delivery	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Director of Service Delivery	15,700	50,007	15,101	(599)
Customer First	273,800	345,028	291,433	17,633
Customer Contact	671,400	538,817	680,588	9,188
Neighbourhood First	57,900	(82,474)	180,959	123,059
Case Management	345,800	289,612	392,677	46,877
Account Management	(37,800)	(53,093)	(37,800)	0
SA-Licensing,Cemeteries,Coast Protection	1,453,700	654,156	1,496,974	43,274
Specialist Advisory - Revenues	1,402,600	1,282,409	1,447,501	44,901
Specialist Advisory - Waste	4,426,450	1,177,543	4,424,571	(1,879)
Bereavement Services	(1,236,700)	(179,397)	(1,232,114)	4,586
Homes First - Solarbourne	(200,750)	64,705	(200,750)	0
Homes First - Head of Service	29,850	302,786	29,850	0
Homes First - Housing Strategy	3,000	23,380	3,000	0
Homes First - Customer Experience	0	212,618	0	0
Homes First - Housing needs and standards	333,700	127,510	231,174	(102,526)
Homes First - Housing Property Services	0	(0)	0	0
Service Delivery	7,538,650	5,161,283	7,723,164	184,514

The service is predicting overspends against staff costs, and pressure with cost of placements for homeless, details of which are shown below:

Customer First £17k, due to salaries over budget.
Neighbourhood First £123k, due to salaries over budget
Case Management £47k due to agency staff costs
Licensing, Cemeteries and Coastal Protection £43k mainly due to Ash die back
Revenues £44k, due to staff costs
Housing Needs and Standards (£102k), increased cost of rough sleepers' placements of £123k, increased spot purchase rates of B&Bs £50K and increased cost of agency staff £73k, which is being offset by anticipated one off £350k of additional BCF.

Please note the £20k of carry forward from 2021.22 which is to fund litter and dog waste bins and an allocation of £90k of BCF from reserves.

2.5 Regeneration and Planning projected overspend of £1,101,218

Regeneration and Planning	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Service Management - Director	42,750	86,343	43,000	250
Business Planning and Performance	506,000	352,896	489,500	(16,500)
Planning	390,700	1,153,607	579,510	188,810
Asset Management	(1,260,150)	98,204	(757,000)	503,150
Housing Delivery	118,600	417,578	153,800	35,200

Facilities	(68,400)	(102,319)	247,100	315,500
Regeneration	218,650	233,219	293,458	74,808
Regeneration and Planning	(51,850)	2,239,529	1,049,368	1,101,218

Regeneration and Planning is anticipating significant pressures within its service delivery.

Planning £188k includes £108k of salary pressure and £40k loss of income, and £40k set aside for compensation. Please note £204k of consultancy costs to deliver the Local Development Framework is funded from reserves in the position.

Asset Management £503k, includes increased fuel costs of £227k. Please note the release of £250k from reserves and carry forwards for fuel cost pressures is in the position.
Pressures of £554k are against vacant properties within investment properties, further investigation is required to establish a better solution, the position includes £28k of additional income on downs water supply.

Housing Delivery £35k due to reduced income

Facilities £315k - Grove Road £216k overspend is showing due to £130k duplicate savings target left here, £46k maintenance and £40k energy increases. Town Hall £65k pressures including £25k security costs unfunded, reduced lettings income of £27k and £13k increased maintenance costs & £33k on College Road Offices. Further investigation is ongoing to find solutions.

Regeneration: £74k has been shown as anticipated revenue spend, further investigation is required to establish if this is revenue as the levelling up grant is a capital grant and therefore this expenditure is not funded.

Please note in addition to £204k of reserves to fund the local plan there is a small carry forward of £3k for the community environment Partnership

2.6 Tourism and Enterprise projected overspend of £49,078

Tourism and Enterprise	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Towner	420,400	413,880	420,400	0
Tourism and Enterprise	795,450	86,858	789,150	(6,300)
Events	377,700	230,755	397,150	19,450
Theatres	59,950	(748,700)	412,650	352,700
Sports Delivery	605,900	408,401	608,650	2,750
Seafront	51,450	65,065	140,450	89,000
Heritage	67,400	34,487	102,650	35,250
Tourist Information	172,850	53,035	257,150	84,300
Catering	(347,550)	(9,612)	(120,000)	227,550
Transfer from Reserves		0	0	(755,622)
Tourism and Enterprise	2,203,550	534,168	2,252,628	49,078

As above there are a few small variances both positive and negative which should be manageable over the year however larger variances are as follows:

Theatres £352k – off which £254k pressure from unfunded staff costs following re-structure, £68k staff costs relating to Devonshire Park Theatre and £45k pressure anticipated due to delayed opening Winter Gardens to live music events. The savings target of £500k for VAT exemption is delayed and alternative are being found.

Sports Delivery is on target.

Seafront £89k Increased income of £38k for Beach Huts is being offset against £53k of increased staff costs, ice-cream sales no achievable income of £35k and the close of Redoubt Event with £28k of increased costs and bandstand £11k.

Heritage £35k due to beachy Head story predicted reduced income.

Tourist Information £84k is due to increased staff costs.

Catering £227k The Stage Door is anticipated £84k of increased staff costs, EDGC catering is anticipating £30k of additional staff costs, The Beer Festival is anticipating reduction to income target of £15k & Devonshire Park Theatre is expecting £46k less income due to reduced audiences. ILTC are expecting reduced income of £40k, with several small overspends of £12k.

Please note the transfer of £755k, one off, from earmarked reserves, to support the service against the impact on income from anticipated pressure from inflation and reduced spending power of customers.

2.7 Other Operating Income (£250,000) and Capital Financing (£150,000) and Reserves* (£1,322,622)

Other Operating Income and Capital Financing & Reserve movements	Budget 2022-23 £	Actual & committed £	Projected Outturn £	Projected Variance at year end £
Contingencies	250,000	0	0	(250,000)
Precepts and Levies	237,450	249,351	237,450	0
Other Operating Income & Expenditure	487,450	249,351	237,450	(250,000)
Capital Financing	2,103,400	442,414	1,953,400	(150,000)
Transfers from Reserves *		0	0	
Other				
Capital Finances and Reserves	2,103,400	442,414	1,953,400	(150,000)

Contingencies of (£250k) this budget has no commitments against it and has been fully released to support the bottom line.
Capital Financing (£150k) The savings target is £300k, but £375k was fully delivered in 21/22, with a further £75k further savings anticipated. Further work is being undertaken on the cost of capital, due to impact of increased interest rates.

Transfer from Reserves * Please note the transfer from Reserves and carry forwards of £1,322,622m have been incorporated into relevant budgets. These are for noting and will be formally updated as part of the mid-year revision and budget setting process.

3 HRA

3.1 HRA performance of the quarter is as follows:

The budget is set at £3.093m with a forecast out-turn at £3.063m with the variance being unallocated contingency of £30k

Details can be found at Appendix 1

4 Reserves

4.1 Please note reserves are pending statutory accounts and audit and remain compliant with the newly introduced reserve policy of increasing financial resilience.

Through careful planning and re-profiling in 2021/22-year end, we were able to provide resilience in the form of Cost of living, Inflation, Fuel and Energy Cost and Bad debt earmarked reserves along with carry forwards, £1.3m of these have been brought into the position as one off funding to provide support the position, which is being impacted from the cost of living. Ongoing work will support delivery of savings and efficiencies to mitigate the long-term impact of pay and inflation.

Please note the request for approval for a contribution of £150k contribution to EHIC.

5 Eastbourne Housing Investment Company Ltd. (EHICL)

5.1 Eastbourne Housing Investment Company Limited is a private company limited by shares incorporated in England and the principal activity of the Company is the development of housing stock and the letting of commercial and residential properties.

5.2 The Council has benefited by using the EHICL properties rather than the traditional temporary accommodation to avoid significant increase in homelessness expenditures/costs, which has led to achieving a reasonable budget savings. EHICL has requested for a financial contribution (i.e., approximately £150k) in the light of the support provided to the Council's homelessness crisis during the pandemic. This request can be funded from the Council's unallocated resource on the basis that the Council made reasonable savings on emergency/temporary accommodation.

6 Capital Expenditure

6.1 The capital programme provides an analysis of spend for quarter 1 compared to the updated budget for 2022/23 and the total spend for each scheme as at 30 June 2022. The current Q1 expenditure totals £1.5m against the latest programme of £41.4m. Additional comments are provided for each scheme within the attached Appendix 2.

Summary - Capital Programme	Original 2022-23	Updated 2022-23	Q1 Spend 2022-23	Q1 variance to updated budget
	£000	£000	£000	£000
Housing Revenue Accounts	18,210	20,147	676	(19,471)
Other Housing	1,460	3,088	279	(2,809)
Community Services	2,145	2,974	139	(2,835)
Tourism & Leisure	150	107	3	(104)
Corporate Services	3,381	3,973	249	(3,724)
Regeneration	6,371	7,012	0	(7,012)
Asset Management	3,765	4,165	121	(4,044)
Total HRA & General Fund	**35,482**	**41,466**	**1,467**	**(39,999)**

6.2 The 2021/22 capital outturn was reported to Cabinet in July 2022 and the result of that was that there was programme slippage into 2022/23 of £5.98m. This, along with the approved budget and updates since that date, mean a programme of £41.46m for the current year as summarised in the table above.

6.3 At the end of Quarter 1 the spend against year 1 of the programme was very low and it is too soon to forecast what level of slippage we might anticipate into future years, but it is unlikely that all aspects of the programme will be deliverable this year and so this will be kept under continuous review by the Capital Programme Overview Board (CPOB).

7 Treasury Management

7.1 The Annual Treasury Management and Prudential Indicators were approved by Cabinet and Council in February.

Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23 which includes the Annual Investment strategy, was approved by the Full Council on Wednesday, 9 February 2022. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield.

Approved limits within the Annual Investment Strategy were not breached during the period ending 30 June 2022, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 11 days during the period.

7.2 The Council's debt and investment position is organised by staff within Financial Services in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

7.3 In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses, and individuals.

7.4 **Fixed Term Deposits which have matured in the reporting period**

The table below shows the fixed term deposits which have matured between 1 April to 30 June 2022, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £65.7m over this period.

Counterparty	**Date From**	**Date To**	**Days**	**Principal £'000**	**Int. Rate %**	**Long-term rating**
					%	
DMO	18/03/2022	19/04/2022	32	1,500	0.55	*
DMO	22/03/2022	05/04/2022	14	1,000	0.55	*
DMO	30/03/2022	01/04/2022	2	7,000	0.55	*
DMO	01/04/2022	11/04/2022	10	8,000	0.55	*
DMO	06/04/2022	14/04/2022	8	4,000	0.55	*
DMO	14/04/2022	28/04/2022	14	3,500	0.55	*
DMO	19/04/2022	26/04/2022	7	3,000	0.55	*
DMO	20/04/2022	25/04/2022	5	2,000	0.55	*
DMO	26/04/2022	03/05/2022	7	4,000	0.55	*
DMO	29/04/2022	04/05/2022	5	5,000	0.57	*
DMO	03/05/2022	17/05/2022	14	3,500	0.81	*
DMO	04/05/2022	11/05/2022	7	3,000	0.82	*
DMO	11/05/2022	20/05/2022	9	5,000	0.80	*
DMO	24/05/2022	21/06/2022	28	2,000	0.88	*
DMO	01/06/2022	22/06/2022	21	4,200	0.86	*
DMO	07/06/2022	28/06/2022	21	2,500	0.94	*
DMO	22/06/2022	24/06/2022	2	6,500	1.05	*
Total				**65,700**		

UK Government body and therefore not subject to credit rating

7.5 **Use of Deposit accounts**

In addition to the fixed term deposits, the Council has made use of the following interest-bearing accounts in the period covered by this report, with the average amount held being £2.96m generating interest of approximately £7.6k.

	Balance at 30 June 2022 £'000	**Average balance £'000**	**Current interest rate %**
Santander Business Reserve Account	1,248	2,120	0.01

Lloyds Bank Corporate Account	10	1,795	0.05
Lloyds Bank Call Account	4,000	4,954	0.50

7.6 **TM Borrowing – Q1 2022/23**

In taking borrowing decision, the Council carefully considered achieving best value, the risk of having to borrow at higher rates at a later date, the carrying cost of the difference between interest paid on such debt and interest received from investing funds which would be surplus until used, and that the Council could ensure the security of such funds placed on temporary investment.

- **Rescheduling** – no debt rescheduling was carried out during the quarter as there was no financial benefit to the Council.
- **Repayment** – none between 1 April and 30 June 2022

7.7 **Borrowing** – The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. No new loans were drawn down from PWLB (Public Works Loan Board) during the quarter to fund the net unfinanced capital expenditure and/or to replace maturing loans. Various temporary loans were taken to cover cash flow requirements. All loans drawn were for fixed rate as detailed within the table below.

Lender - Temp Debt	£m	Start Date	End Date	Rate
Loans held:				%
West Midlands Combined Auth.	10,000	21/01/2022	20/01/2023	0.25
Hyndburn BC	2,000	28/02/2022	27/02/2023	0.70
Middlesbrough Council	5,000	11/03/2022	29/07/2022	0.79
Greater Manchester Pension Fd.	5,000	21/03/2022	22/08/2022	0.70
Northern Ireland Housing Exe.	10,000	20/06/2022	19/06/2023	1.20
West Yorkshire Combined Auth.	5,000	23/05/2022	09/05/2023	1.20
Loans repaid:				
Middlesbrough Teeside Pension	5,000	22/11/2021	23/05/2022	0.04
Rotherham MBC	2,000	16/03/2022	16/06/2022	0.75
Northern Ireland Housing Exe.	7,000	20/09/2021	20/06/2022	0.07
Swansea City & County	5,000	01/03/2022	24/06/2022	0.57

7.8 **Interest Rate Forecast**

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 21st June is compared below to the previous forecast (10th May). A comparison of these forecasts shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally as inflation concerns abound. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but without pushing the economy into recession.

Links current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities.

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Link Group Interest Rate View 10.5.22													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, Links money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

Links forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

7.9 Economic background

Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth. The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living, little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China.

In the UK inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April, equivalent to around £700 for a household with average energy consumption (the cap had already increased 12% back in October 2021). May data showed CPI edging higher to 9.1% while the core CPI rate, which removes energy, fuel and food was 5.9%. RPI rose to 11.7%.

The labour market continued to show signs of tightness as employers struggled to fill vacancies with workers with skill sets matching their requirements. The unemployment rate for April fell to 3.8% and is now below pre-pandemic levels. Pay growth was 6.8% for total pay (including bonuses) and 4.2% for regular pay; however, adjusted for inflation, growth in total pay was just 0.4%, whilst regular pay fell 2.2%.

Unsurprisingly, with disposable income squeezed and another energy cap increase due in October, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January-March quarter and the Bank of England now expects a decline of 0.3% in Q2 2022.

8 Appendices

8.1

- Appendix 1 – Housing Revenue Account
- Appendix 2 – Capital Programme