

# MHA Care Sector Update

September 2024



# Care Sector Update

**Stuart McKay – Partner**

**Liz Newell - Partner**

## Agenda:

**Scene setting for the financial year ahead:**

**2a. Economic Update**

**2b. Accounting update – SORP 202X**

**& Housing update**



# The Economic Outlook



Commentary provided by Professor Joe Nellis

MHA Economic Advisor and Professor of Global Economy Deputy Dean @ Cranfield School of Management

- **Global Economy**
- **Outlook for UK Economy**

No reliance should be placed on the information presented here for investment purposes.

# The Economic Outlook



## Global Economy – The Global Economy in a Sticky Spot’ (IMF, July 2024)

- Global economy growing at a modest pace:
  - 3.2% in 2024 and 3.3% in 2025.
  - But proving relatively resilient;
- Inflation continues to fall – but persistent services inflation causing concern;
- ‘Higher-for-even-longer interest rates’ (IMF July 2024)
- Real incomes rising for many as inflation moderates;
- But mixed picture: Europe weak, USA, China and India relatively strong;
- Major challenge is to revitalise medium-term growth prospects.





WORLD ECONOMIC OUTLOOK UPDATE JULY 2024

# GROWTH PROJECTIONS

(REAL GDP GROWTH, PERCENT CHANGE)

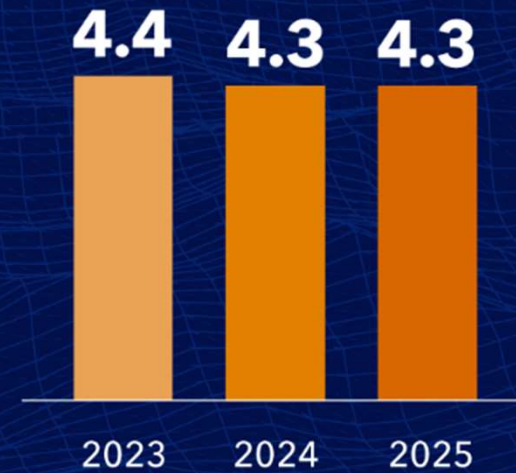
## GLOBAL ECONOMY



## ADVANCED ECONOMIES



## EMERGING MARKET & DEVELOPING ECONOMIES



INTERNATIONAL MONETARY FUND

# The Economic Outlook



(Real GDP, annual percent change)	PROJECTIONS		
	2023	2024	2025
<b>World Output</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>
United States	2.5	2.6	1.9
Euro Area	0.5	0.9	1.5
Germany	-0.2	0.2	1.3
France	1.1	0.9	1.3
Italy	0.9	0.7	0.9
Spain	2.5	2.4	2.1
Japan	1.9	0.7	1.0
<b>United Kingdom</b>	<b>0.1</b>	<b>0.7</b>	<b>1.5</b>
Canada	1.2	1.3	2.4
Other Advanced Economies	1.8	2.0	2.2
<b>Emerging Market and Developing Economies</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>
Emerging and Developing Asia	5.7	5.4	5.1
China	5.2	5.0	4.5
India	8.2	7.0	6.5
Emerging and Developing Europe	3.2	3.2	2.6
Russia	3.6	3.2	1.5

Up from 1.4% in  
March 2024

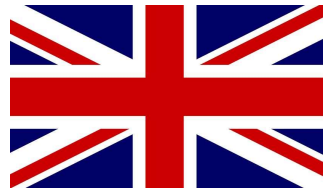
Source: IMF July 2024





# The UK Economy

# The Economic Outlook



## Outlook for the UK Economy

### What Would 'Good' Look Like?

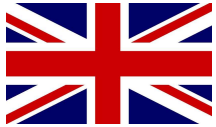
- Long-term GDP growth of 2.5% p.a.;
- Inflation steady at 2% p.a (BoE target).;
- Wages rising at 4.5% p.a.;
- Interest rates at 4% - 5%;
- Government budget deficit about 3% of GDP or less;
- Unemployment stable at around 4% p.a.;
- Strong and sustained growth in investment spending ;
- Robust business and consumer confidence;
- Trade deficit between 2% - 3% of GDP & stable exchange rate.





## Current State of the UK Economy

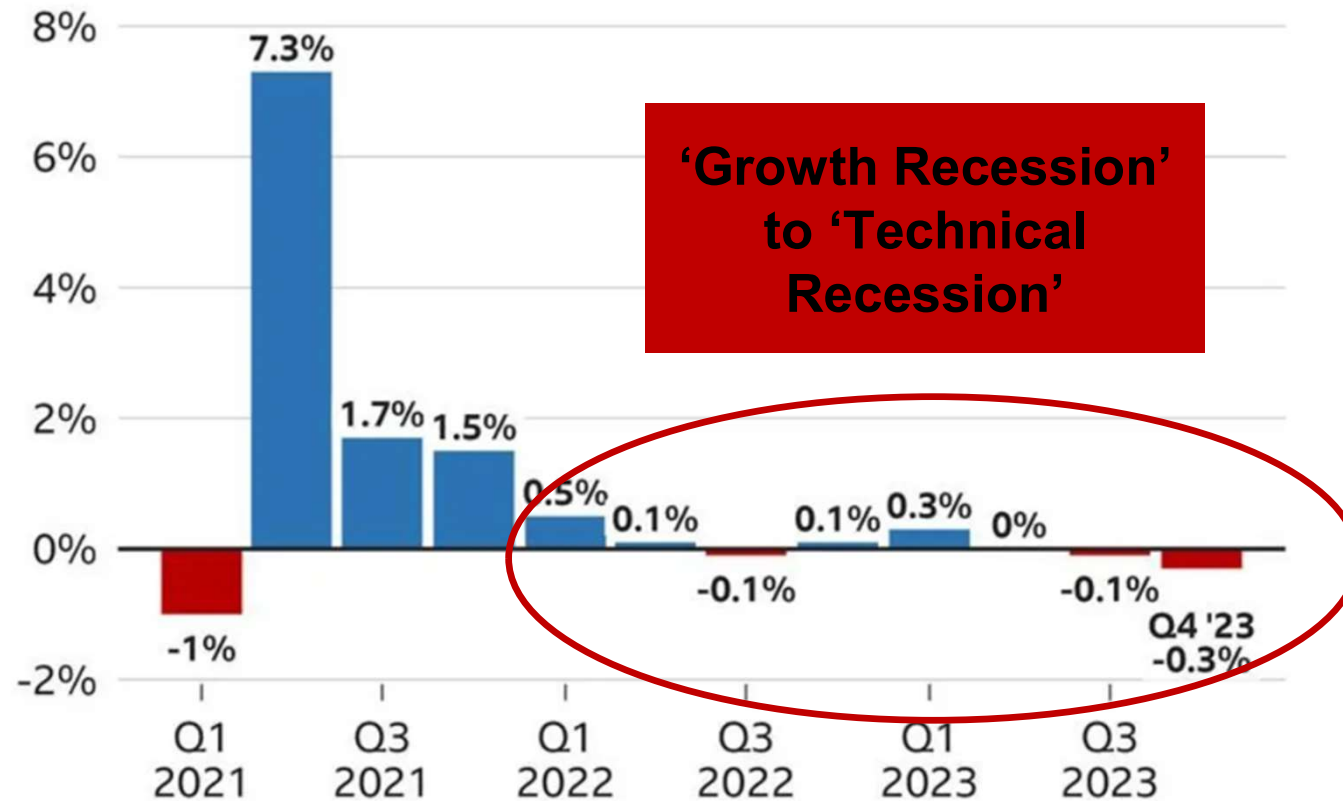
- The economy has been ‘flatlining’ recently
- However, there is some good news ...
  - Better-than-expected GDP growth first half of 2024;
  - Inflation has fallen faster than many expected;
  - Interest rates have started to fall;
  - Improvement in real incomes, especially at lower levels;
- But the medium-term outlook for growth is weak.



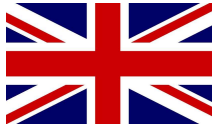
# UK Economic Growth – March 2024



Quarterly GDP % Growth Rate



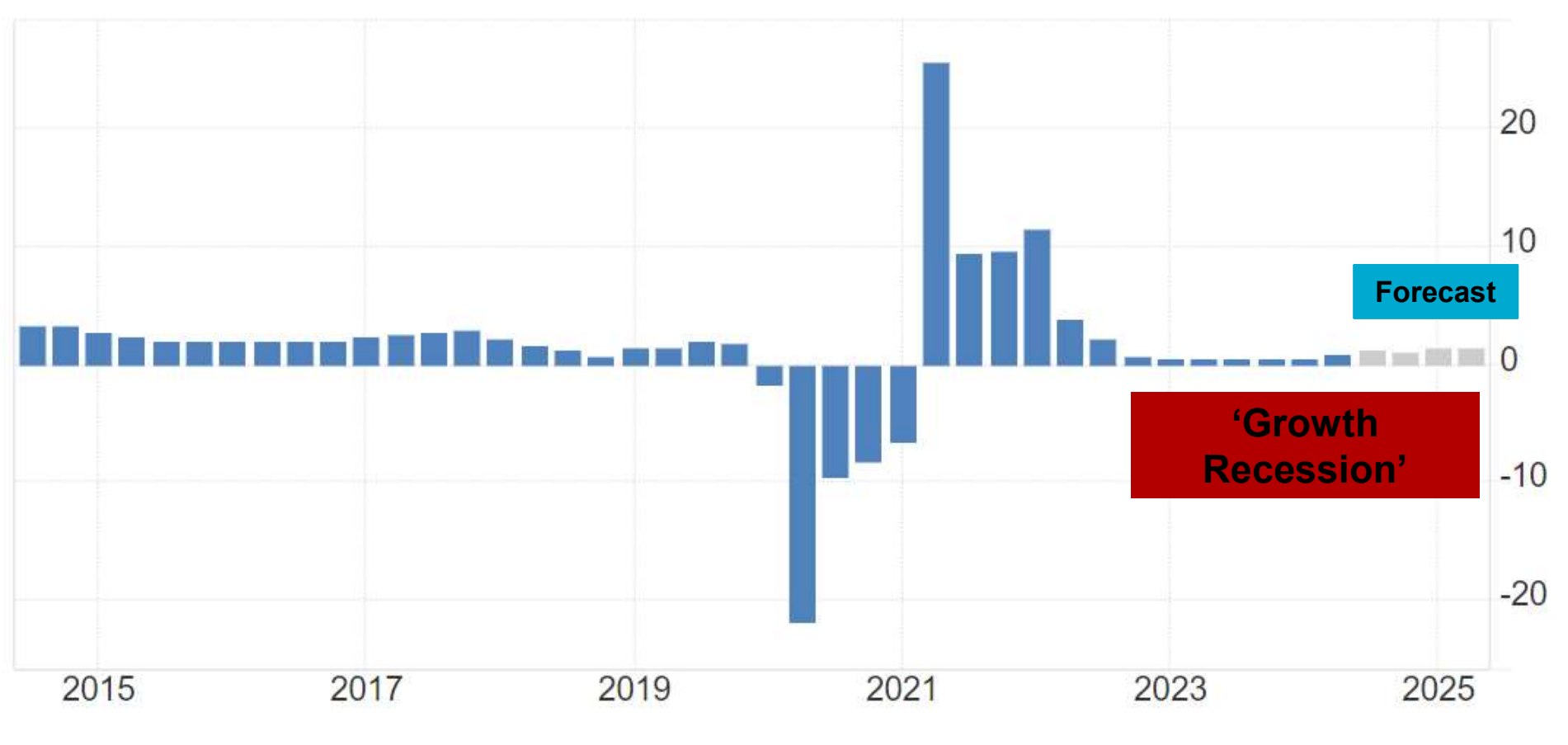
Source: Office for National Statistics



# UK Economic Growth – March 2024



## Quarterly GDP % Growth Rate



Source: Office for National Statistics



# 10-year government bond yields



Source: Trading Economics

# Monetary Policy



- **Fall in interest rates to 5% at MPC meeting on 1 August**
- **Rates expected to fall to 4.5% - 4.75% by end-2024**
- **Bank of England is determined to get inflation back to 2% target**
  - **And to control future inflation expectations**
- **Some concerns regarding near-term 'sticky' inflation due to:**
  - **Service sector inflation**
  - **Impact of public sector wage deals**
  - **Winter energy prices**

**And events around the world could create further 'instability'.**

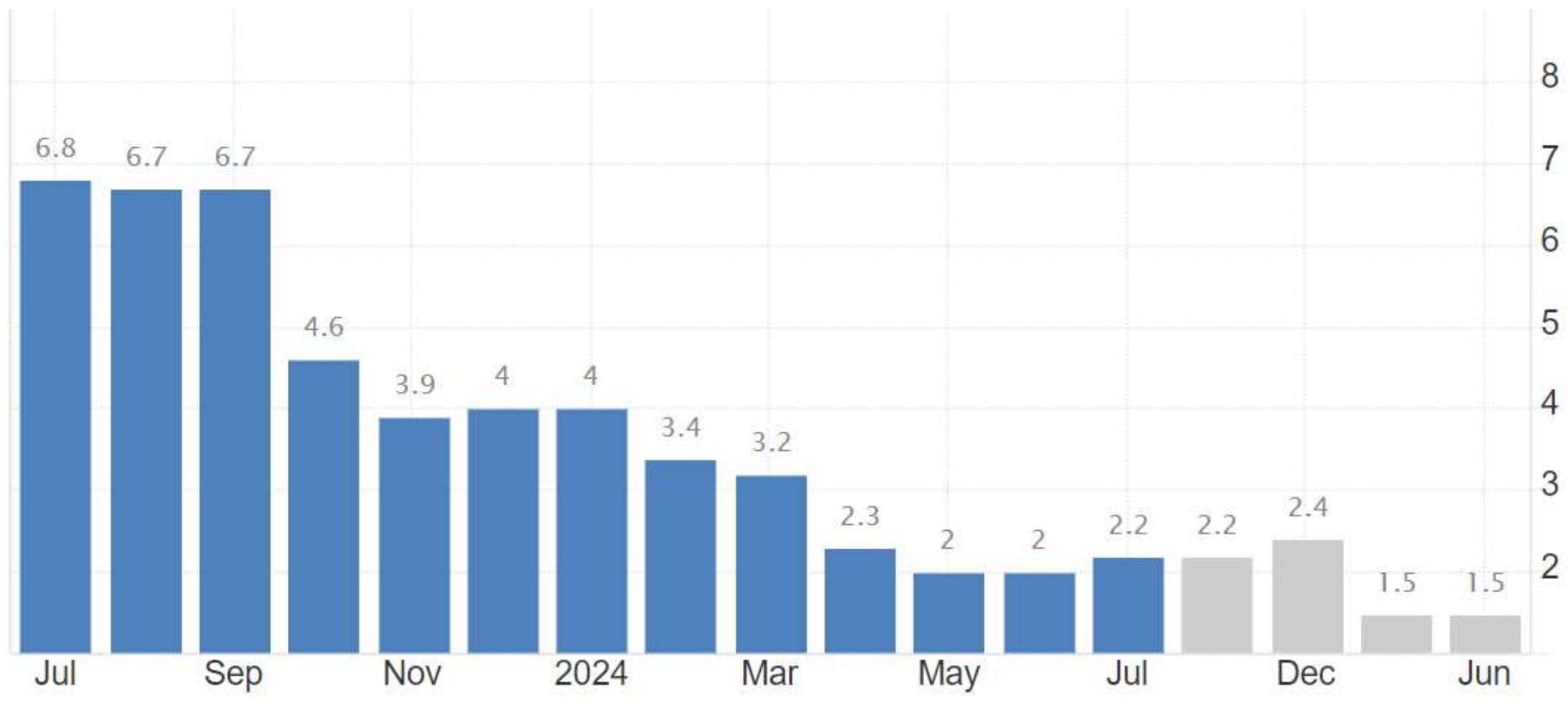
# UK Inflation Rate (%) – Historical Data



Source: Office for National Statistics, Trading Economics



# UK Inflation Rate (%) – Recent and Forecast Data



Source: Office for National Statistics, Trading Economics

# UK Labour Market



- **Unemployment rate has moved up from a multi-decade low of 3.6% (in August 2022) to 4.2% (June 2024):**
  - **still close to a ‘full-employment’ economy**
- **Unemployment forecast to rise over the next 2 years;**
- **Labour shortages continue in many sectors:**
  - **Around 9.3m inactive working-age adults;**
  - **And 2.7m people not working due to health problems;**
  - **Reintegrating inactive younger and older workers is critical;**
  - **This could significantly boost GDP .**

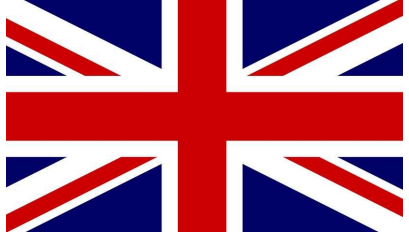


# UK Unemployment Rate



Source: Office for National Statistics





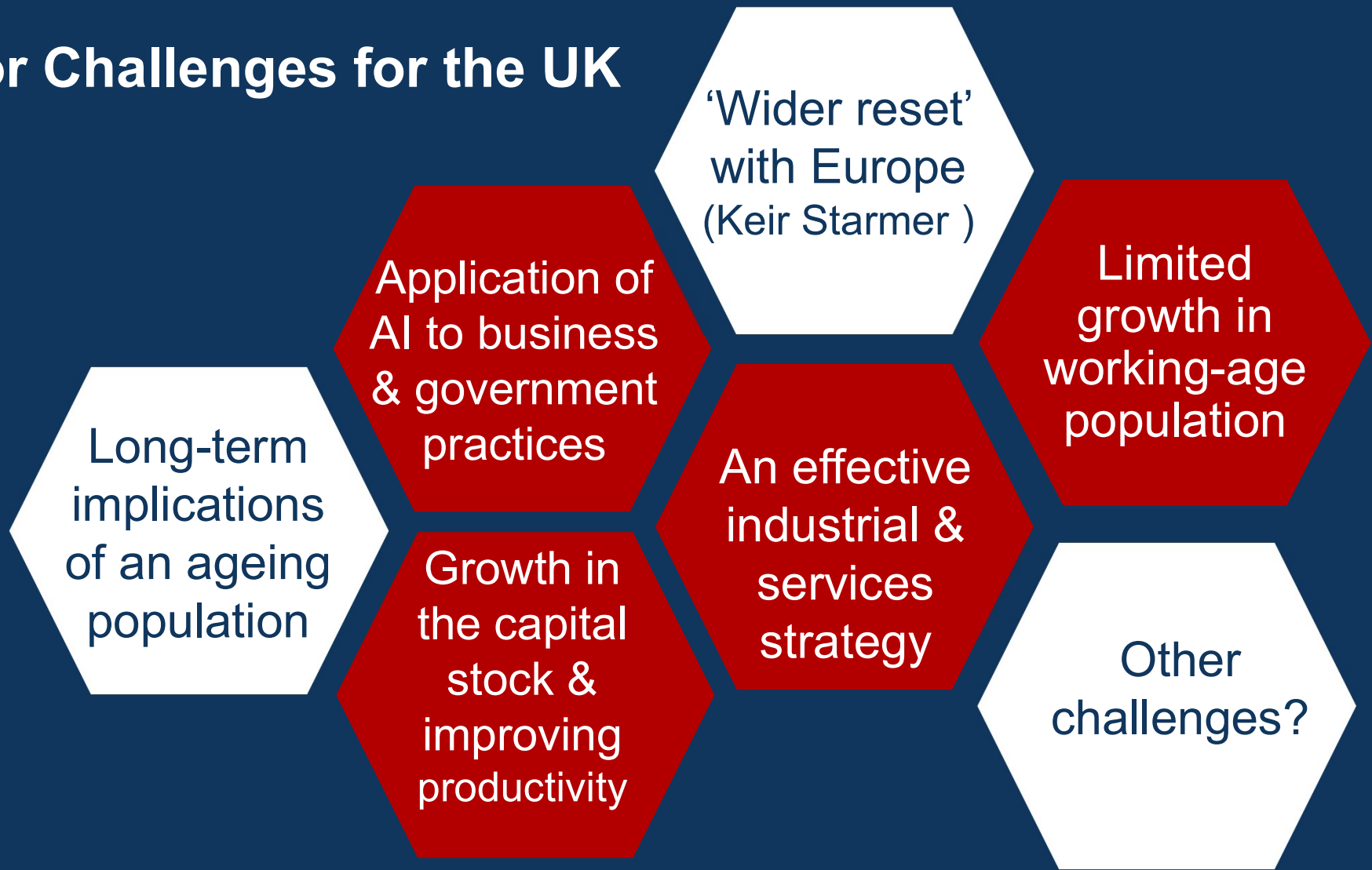
# UK Summary



- Economic activity is picking up
  - But challenge is to unlock higher levels of growth;
- Inflationary pressures easing – but watch next few months;
- Return to positive real earnings growth for many;
- Tax rises expected in Budget on 30 October;
- Government budget under severe strain
  - And facing significant long-term challenges!



# Major Challenges for the UK



**“*Strategic Resilience* is the practice of thinking forward while leading through present turbulence - adapting to difficult operating circumstances while looking beyond current conditions to keep focused on the horizon”**

# Local Government Debt

Half of councils could issue section 114 notice in next five years, amid surge in councils dipping into reserves, survey shows

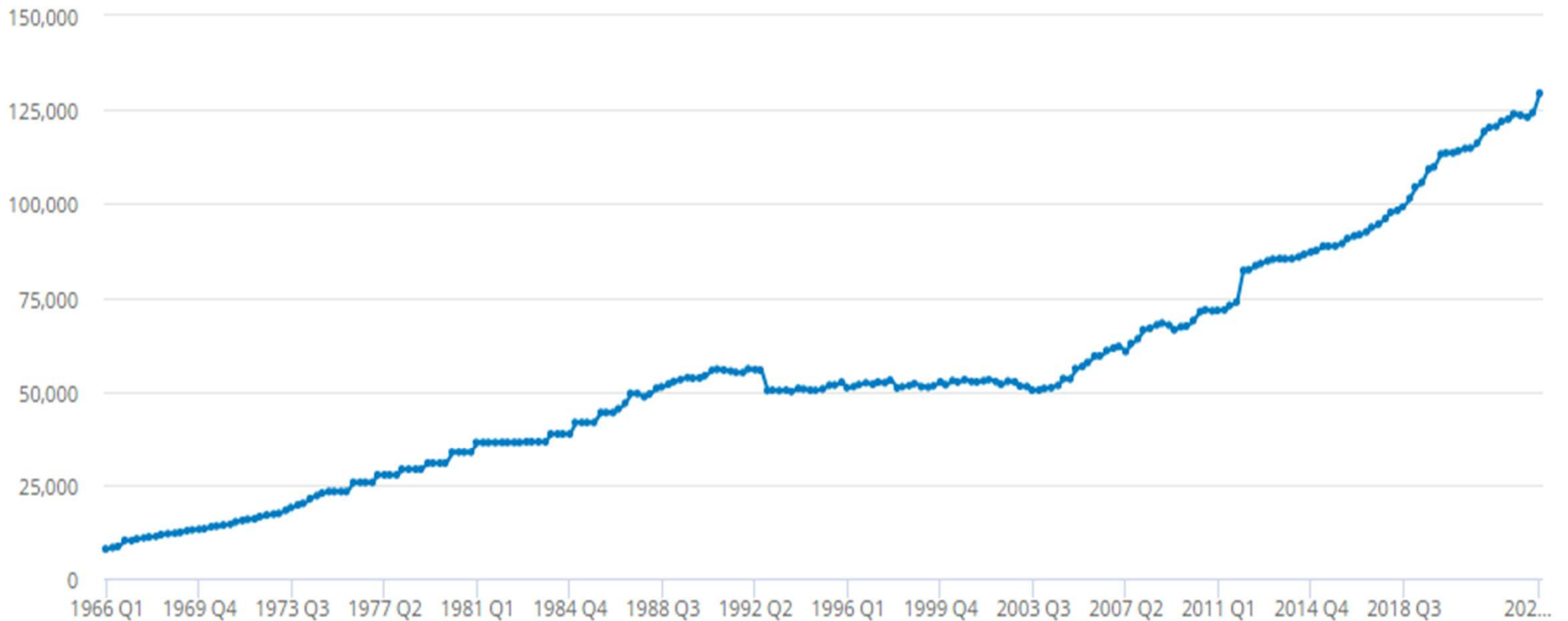
Local Government Lawyer

February 28, 2024



## Chart

LG: Local government gross debt



— LG: Local government gross debt

# Diversity In Local Councils



Section 114 notices, 2017–2023, as at 29 November 2023 (2023/24 prices)

IfG



Source: Institute for Government analysis of various sources including local authority press releases and media reports. Notes: Section 114 notices for Nottingham (the first time) and Northumberland were issued as a result of unlawful expenditure, as opposed to being unable to balance their budget.



# Scene setting for the financial year ahead

**Stuart McKay - Partner**





# Charities SORP Timetable

## What next?

Final amendments to FRS 102 and FRS 105 published March 2024, with an effective date accounting periods beginning 1 January 2026.



## Revised timetable (best guess)

- FRS102 comes into force **wef a/c periods starting 01/01/2026 (March 2027 YE's)**
- **Drafting** SORP needs to be complete by December 2024.
- Consultation Jan-June 2025
- Final edit and FRC approval Sept 2025
- New SORP to be published October 2025
- So hoped to be in line with FRS102



# Housing Consultation

**National Housing Federation – proposed guidance for new shared ownership and Right to shared ownership model.**

The expected changes to the model that were put forward for consultation were:

- Reduce the minimum initial share from 25% to 10%.
- A new gradual staircasing offer, to allow people to buy additional shares in their home in 1% instalments with heavily reduced fees.
- A 10-year period during which the shared owner will receive support from their landlord to pay for essential repairs.
- Give Shared Ownership leaseholders (shared owners) more control when they come to sell their home.

16 responses were received, generally there appears to be broad agreement with the proposals, and we will await adjustments to the Housing SORP in due course.



Thank you for listening  
**Any Questions?**