

Report to the Cabinet

Meeting to be held on Thursday, 1 December 2022

Report of the Chief Executive & Director of Resources

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
N/A

Money Matters Quarter 2 Report 2022/23

(Appendices 'A' and 'B' refer)

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Brief Summary

This report provides an update to Cabinet on the county council's 2022/23 revenue and capital financial position.

The effects of the COVID-19 pandemic are still evident in some services particularly relating to demand for Adults and Children's Social Care. There are also significant inflationary pressures resulting from a number of factors including the pandemic and the war in Ukraine.

On 17th November 2022, the Autumn Statement took place, with the Chancellor of the Exchequer providing details of both additions and reductions in funding for the local government sector overall and changes to costs, such as the National Living Wage. Whilst an initial assessment suggests that the impact of the funding changes announced in the statement should be positive overall for the 2023/24 budget position, there is uncertainty with regard to the actual impact on individual council funding allocations until further information is made available. The Local Government Finance Settlement confirming the actual 2023/24 funding allocations for individual councils is expected to be published in December 2022 and therefore the next revised medium-term financial strategy will be presented at the January Cabinet meeting.

In summary:



- (i) The 2022/23 revenue forecast outturn is £956.056m, representing a projected overspend of £7.989m (0.84%) of the agreed budget.
- (ii) The council is forecast to spend £172.135m of the £222.069m approved delivery programme. This represents a forecast variance underspend of £49.934m which represents 22.5% of the approved programme.

Recommendation

Cabinet is asked to:

- (i) **Note** the current forecast overspend of £7.989m on the revenue budget in 2022/23.
- (ii) **Note** the revised 2022/23 capital delivery programme of £222.069m and the forecast outturn of £172.135m primarily due to slippage of delivery to future years.

Detail

The detailed reports present the Quarter 2 position and are appended as follows:

- Appendix 'A' - the 2022/23 forecast revenue position.
- Appendix 'B' - the 2022/23 re-profiled capital delivery programme and forecast outturn.

2022/23 Revenue Position as at 30th September 2022 (Appendix 'A')

A revenue overspend is currently forecast at £7.989m and represents a variance of 0.84% against the overall revenue budget of £948.107m. This represents a significant improvement across all Directorates of almost £10m from the £17.7m overspend that had been forecast at Quarter 1 and reported to Cabinet in September. The improvement reflects services having undertaken detailed reviews of their cost drivers and identifying actions to reduce costs to work towards achieving a break-even position including tighter control of vacancy management. The focus will remain on reducing costs further in the second half of the year to address the remaining forecast overspend.

The price and demand pressure being experienced have led to an overspend being forecast at Quarter 2 with a risk that the current volatility in actual demand could lead to a significant variance from the current forecast as we move through the year. This is particularly highlighted in Children's Social Care with an overspend of c£10m forecast although this is an improvement of £2m from the position reported at Quarter 1. In adult services, whilst there are still pressures in terms of demand and cost of packages, these have been off set by some one-off savings particularly in relation to income.

The savings that have been agreed to date are being closely monitored. There is a combination of savings that were planned to be delivered in 2021/22 or earlier and



were delayed due to the pandemic, and the budgeted savings agreed to be reprofiled for 2022/23. As all restrictions have broadly been lifted and services return to providing services closer to the levels pre-pandemic, they are in a better position to monitor and deliver the savings that are built into the budget.

Capital delivery programme for 2022/23 (Appendix 'B')

A 2022/23 capital delivery programme of £208.263m was agreed at Full Council in February 2022. This delivery programme figure has been revisited and, following confirmation of the final 2021/22 slipped delivery figures, additions subsequently approved at cabinet re-profiling of the programme have increased the in-year programme to £222.069m. This figure will now form the basis of the capital programme monitoring throughout the financial year.

The forecast outturn as at September 2022 against this revised delivery plan of is £172.135m, giving an expected variance of -£49.934m. This is mainly due to later than anticipated starts on the corporate property programme and certain economic development projects.

Consultations

Proposals will be subject to appropriate consultation where required.

Implications:

Risk management

The county council's overall approach to managing financial risks continues to be to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

The financial risks and opportunities that could affect the position outlined in the report primarily cover the following areas. Many of these risks equally present opportunities:

Demand

There is continued pressure on the council's budget, particularly around adult and children's social care, and the most up to date demand forecasts have been included. Any increase in demand above the current forecast will add additional pressure to future years and conversely reductions in demand will create underspends.

Legal

Matters referred to in this financial forecast will be subject to council consideration where appropriate.



List of Background Papers

| Paper | Date | Contact/Tel |
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None

Reason for inclusion in Part II, if appropriate

N/A

