

Report to the Cabinet

Meeting to be held on Thursday, 19 January 2023

Report of the Chief Executive

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
N/A

Medium Term Financial Strategy 2023/24 - 2026/27 and Reserves - Quarter 3 Update

(Appendix 'A' refers)

Contact for further information:

Angie Ridgwell, Tel: (01772) 536260, Chief Executive,
angie.ridgwell@lancashire.gov.uk

Brief Summary

The Provisional Financial Settlement was announced on 19 December 2022 which provides local authorities with detailed allocations of funding for the next financial year. These figures are provisional until final confirmation is received in February 2023 following the outcome of the consultation process, although in previous years there has been very little change. The deadline for responses to the Provisional Finance Settlement is 16 January 2023 and a response is being drafted.

A revised medium-term financial strategy has been prepared as at Quarter 3 and includes all implications of the Provisional Settlement. At Cabinet in November the financial gap was reported for 2023/24 was forecast to be £19.951m in 2023/24 and £41.428m by 2026/27.

At Quarter 3 the forecast funding gap for 2023/24 is £7.736m, with an updated aggregated funding gap of £15.526m by 2026/27, which is a reduction of £25.901m from the previously reported medium-term financial strategy position in November. The improved position predominantly relates to the increased levels of funding received as part of the Provisional Financial Settlement and also the ability to increase council tax by an additional 2% in 2023/24 and 2024/25. The Quarter 3 medium-term financial strategy includes updated figures reflecting increasing levels of inflation and adjustments to demand levels representing the most recent data available.



Recommendation

Cabinet is asked to:

- (i) **Note** the revised funding gap of £15.526m covering the period 2023/24 to 2026/27 as set out in the revised financial outlook forecast for the council.
- (ii) **Approve** the budget adjustments for 2022/23, and following years' changes, included in the revised medium-term financial strategy.
- (iii) **Note** the contents of the county council's reserves position.

Detail

Appendix 'A' contains a detailed medium term financial strategy and reserves report.

The medium-term financial strategy would ordinarily have been included with the Quarter 2 Money Matters suite of reports to Cabinet in December. However, due to there being significant uncertainty at that time with regard to the impact of the Autumn Statement, this was delayed until the outcome of the Provisional Local Government Finance was known and incorporated. This updated position will form the basis of the next Money Matters reports, which also include the budget recommendations for the 2023/24 budget and will be considered by Cabinet on 2 February 2023.

Consultations

N/A

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:

Level of Future Resources from Central Government

Despite receiving the Provisional Settlement, which includes funding allocations for 2023/24 and gives some indications of funding levels for 2024/25, uncertainty and risk remains as to the 2025/26 and beyond allocations. At this stage there is no indication as to the quantum of funding, or the extent of the changes to the funding



formula. At this point in time there is insufficient detailed information regarding the changes to be certain of the funding assumptions within the medium-term financial strategy. As a result of these uncertainties various scenarios have been modelled, on the most likely funding scenario. Future funding levels could therefore be higher or lower than currently forecast.

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.

Inflation

A significant level of additional resource has been included in the medium-term financial strategy, primarily on energy costs (although reducing inflation over the course of the medium-term financial strategy) and contractual price increases, particularly on social care where there are nationally recognised funding issues in the residential and domiciliary care markets. In addition, the medium-term financial strategy includes estimates of the cost of increases that would enable independent sector providers to meet the additional costs of the national living wage.

Delivery

The medium-term financial strategy assumes that all of the agreed savings including those delayed as a result of COVID-19 will be delivered in the period 2022/23 to 2024/25. There are also a significant number of other factors, both internal and external, which may impact upon delivery, and these will need to be clearly identified and either minimised or optimised as appropriate.

In addition, the medium-term financial strategy assumes that savings recently approved at Cabinet in November 2022 will also be delivered as per the profile agreed.

Legal

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

List of Background Papers

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		

