

Report to the Cabinet

Meeting to be held on Thursday, 2 November 2023

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Medium Term Financial Strategy Update 2024/25 - 2026/27

(Appendix 'A' refers)

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Brief Summary

The medium-term financial strategy provides a forecast of the financial position for the county council for the next 3 years. This report contains an updated position compared to that presented to Cabinet and Full Council in February 2023.

The forecast contains detailed assumptions that have been discussed in depth with services and research undertaken nationally to benchmark the reasonableness of our assumptions in comparison to other local authorities.

The Council has a history of excellent financial management which has enabled the delivery of significant savings to the local taxpayer whilst still investing in priority services. It has continued to deliver significant savings year on year whilst maintaining delivery of high-quality services to its residents. However, the savings required in the previous medium term financial strategy and budget rounds are in excess of £140m over a four-year period and necessitate an ongoing heightened focus on financial sustainability and resilience.

There have been changes to projections that have been included in this updated position, the majority of which are outside the control of the county council and have been influenced by external factors such as the updated 2023/24 pay award proposals, energy costs, interest rates and inflation levels. In addition, there have been some increases relating to demand levels particularly across Children's Social Care and home to school transport.



The previous medium term financial strategy forecast a budget surplus of £12.077m in 2024/25 with this becoming a deficit position of £19.103m by 2026/27. The updated position forecasts a gap of £14.505m in 2024/25, with this increasing to £18.294m in 2026/27.

Significant assumptions are required to underpin our forecasts. While these can be made with a level of confidence in shorter term, there is significant uncertainty over the medium and long term with regard to the scale and length of inflationary pressures and future funding levels. The forecast is therefore based on a set of reasonable assumptions applied from various sources including national and professional bodies and discussion with peers, given the forecast pressures are largely the result of factors outside the direct control of the council and are affecting local government as a whole.

A further updated medium term financial strategy will be reported to Cabinet in January 2024, as part of the budget report. This report will include the 'government settlement figures for 2024/25 and potentially some revised assumptions for future years.

In line with the Councils pro-active approach to financial management work was undertaken by Directorates to identify financial savings and efficiency during the early part of this year in recognition of the remaining budget gap. This has resulted in "management action" savings totalling c£23m being included in the updated medium term financial strategy.

In order to further reduce the financial gap that is forecast within this report there are several other areas such as commercialisation, commissioning strategy, service standards and grant reviews that are active workstreams that are being reviewed and discussed with Members. In addition, Directorates are preparing further savings proposals for consideration by Members that could be taken forward to achieve a more balanced budget position.

The reserves presented within this report are subject to a detailed review, particularly relating to commitments and making the best use of funds available. This will be completed and presented as part of the budget report in January 2024.

In summary:

- (i) The medium-term financial strategy has been updated for current expectations of levels of funding, savings delivery, demand and inflation.
- (ii) At Full Council in February 2022 the medium-term financial strategy showed a surplus of £12.077m in 2024/25 with this becoming a deficit position of £19.103m by 2026/27. The updated position forecasts a gap of £14.505m in 2024/25, with this increasing to £18.294m in 2026/27.
- (iii) The council is forecast to hold a General Reserve against unforeseen issues of £23.437m representing circa 2.25% of net budget, which is unchanged from the previously reported position.
- (iv) The council is forecast to hold £163.525m of uncommitted transitional reserve



at the end of the financial year. This is sufficient to meet the forecast gap for the medium-term financial strategy for the next three financial years.

Recommendation

Cabinet is asked to:

- (i) **Note** the revised funding gap of £18.294m covering the period 2024/25 to 2026/27 as set out in the revised financial outlook forecast for the council.
- (ii) **Approve** the budget adjustments for 2024/25, and following years' changes, included in the revised medium term financial strategy.
- (iii) **Note** the contents of the county council's reserves position.

Detail

The detailed report at Appendix 'A' presents the county council's medium term financial strategy and reserves forecast position of the financial years 2024/25 – 2026/27.

Appendices

Appendix 'A' is attached to this report. For clarification it is summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	Medium Term Financial Strategy and Reserves - November 2023

Consultations

Proposals will be subject to appropriate consultation where required.

Implications:

This item has the following implications, as indicated:

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.

All risks are clearly set out in Section 5 of Appendix 'A'. As part of the preparation of the updated medium-term financial strategy multiple scenarios have been calculated, but the version that contains what is thought to be a balanced level of risks and opportunities in advance of the Provisional Financial Settlement included at this stage. It is inevitable that risks are inherent within the forecast, but in identifying where the greatest risks are, such as funding levels, demand projections and



inflation (many of which are outside our control) and having an awareness as to the levels of fluctuation that could occur, a measured and balanced risk medium term financial strategy is presented. The medium-term financial strategy is a collaborative piece of work undertaken across with county council with finance working very closely with Directorates for their professional opinions in relation future year financial forecasts.

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

