

REPORT OF THE  
CABINET  
PART I

**1. DEVELOPING A MEDIUM TERM FINANCIAL STRATEGY**

- 1.1. At its meeting of 19 July 2022, Cabinet considered a report setting out progress towards developing a Medium Term Financial Strategy (MTFS) to 2025/26 against a challenging backdrop of public finances. It also set out interim proposals for capital investment priorities, some of which had been awaiting consideration since before Covid.
- 1.2. Rising social care costs that are not funded by Government continues to be the greatest financial challenge that the County Council faces. Recent Government white and green papers and a review into Children's Social Care Services highlight some of the challenges in this area and suggest that around £2.6bn needs to be spent over the next four years to address some of the failings in the system.
- 1.3. For Adults Social Care escalating demand and price inflation in what is a challenging market following Covid is further complicated by the social care reforms being introduced by the Government, which will bring further burdens and complications into the system and is likely to lead to significant unfunded costs for local government. The County Council's predictions alone suggest that the reforms could add up to £91m to the bottom line after Government funding has been taken into account.
- 1.4. The building and highway construction and maintenance industries continue to exhibit strong evidence of instability on the back of Brexit and the Covid pandemic with the consequence that inflation indices have been increasing significantly over the last two years. Oil and gas prices are unstable and rising rapidly, and this directly affects fuel, energy, manufacturing, and also overhead costs. The County Council's highways and property services teams are already working closely with contractors to anticipate and where possible manage price and delivery pressures in the supply chain. The duration of the current situation is unknown, however the ability to manage the rising cost pressures within existing budgets can only be short term. It is therefore prudent to earmark contingency funding to underwrite the cost of inflation on individual schemes where it cannot be met from approved budgets.
- 1.5. This adds up to the most challenging financial picture the County Council has ever faced. Unless something is done about rising social care and other costs, the County Council is not financially sustainable in the medium to long term as it is not possible to keep making savings in services to fund the growth in social care and meet other inflationary pressures.
- 1.6. The County Council has only four options for balancing its budget:

- Increasing council tax, albeit that this is capped by the Government unless the County Council chose to hold a referendum.
  - Increased Government funding.
  - Changes to legislation that reduce service cost or allow us to charge for services.
  - Making savings in services or generating more income as we have been doing since 2010 and we will have already taken £640m out of the budget by April 2023
- 1.7. In addition to agreeing the recommendation to Council set out below, Cabinet resolved to:
- i. Note the continued decline in the County Council's financial position to 2025/26.
  - ii. Note the current progress towards the development of a Medium Term Financial Strategy that will be further reported to Cabinet and County Council as part of the 2023/24 budget setting process.
  - iii. Delegate authority to the Director of Corporate Operations in consultation with the Chief Executive and the Leader of the Council to allocate one off funding for inflationary pressures in the current year up to a value of £25m, to be funded from contingencies and the Budget Bridging Reserve as required.

The full report to Cabinet can be found at the following link and is appended to this Part I report:

- [Cabinet, 19th July, 2022](#)

## **RECOMMENDATIONS**

That the County Council approves:

- a. An inflation underwrite of up to £15m for the current capital programme and that approval of allocations from this sum are delegated to the Director of Corporate Operations in consultation with the Chief Executive and the Leader of the Council.
- b. That capital guidelines for 2023/24 and 2024/25 be increased by £6.75m and £6.8m respectively to meet the unavoidable capital priorities outlined in Section I of the Cabinet report, to be funded from prudential borrowing, the revenue consequences of which will be factored into the budget setting process for 2023/24.