

CABINET

Minutes of a meeting of the Cabinet held in the Council Chamber, County Hall, Ruthin and by video conference on Tuesday, 21 January 2025 at 10.00 am.

PRESENT

Councillors Jason McLellan, Leader and Lead Member for Economic Growth and Tackling Deprivation; Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets; Elen Heaton, Lead Member for Health and Social Care; Diane King, Lead Member for Education Children and Families; Alan James, Lead Member for Local Development and Planning; Julie Matthews, Deputy Leader and Lead Member for Corporate Strategy, Policy and Equalities; Barry Mellor, Lead Member for the Environment and Transport; Rhys Thomas, Lead Member for Housing and Communities, and Emrys Wynne, Lead Member for Welsh Language, Culture and Heritage

Observers: Councillors James Elson, Justine Evans, Bobby Feeley, Huw Hilditch-Roberts, Brian Jones, Delyth Jones, Merfyn Parry, Gareth Sandilands, and Andrea Tomlin

ALSO PRESENT

Chief Executive (GB); Corporate Directors: Governance and Business/Monitoring Officer (GW), and Environment and Economy (TW); Heads of Service: Finance and Audit (LT) and Planning, Public Protection and Countryside Services (EJ); Public Protection, Regeneration and Economic Development Manager (GR); External Funding Manager (AS); Programme Manager – Corporate Programmes Office (KW), and Committee Administrators (KEJ & ED [Webcaster])

1 APOLOGIES

There were no apologies.

2 DECLARATION OF INTERESTS

No declarations of interest had been raised.

3 URGENT MATTERS

No urgent matters had been raised.

4 MINUTES

The minutes of the Cabinet meeting held on 17 December 2024 were submitted.

Matters Arising – Page 6, Item 5: Draft Local Toilet Strategy – in response to a question from Councillor Julie Matthews, the Corporate Director: Economy and Environment agreed to ascertain progress with the public consultation and engagement and provide an update as soon as possible outside of the meeting.

RESOLVED that the minutes of the meeting held on 17 December 2024 be received and confirmed as a correct record.

5 FORMER NORTH WALES HOSPITAL - APPROVAL TO ISSUE THIRD PARTY AGREEMENT

Councillor Jason McLellan presented the report seeking Cabinet approval to issue the Third Party Funding to support the delivery of Phase 1 of the Former North Wales Hospital Project as part of the Levelling Up Fund Vale of Clwyd Programme.

Some background to the project was provided including the historical significance of the site and its development which represented a huge economic development opportunity. Although instigated by the Council over 15 years ago the project was now being led by Ambition North Wales (ANW). The total development cost had been identified as £107m to be undertaken over a 12 year period in 3 phases. The cost of Phase 1 was £13m of which ANW had secured £10m. The Council had included Phase 1 within its application for UK Government Levelling Up Funding and had received notification that funding had been awarded with £3m allocated to the project. To comply with the necessary funding requirements and regulations the Council had undertaken a due diligence assessment of the development partner and Cabinet approval was sought to proceed with the match funding contribution to support Phase 1 and the associated capital business case.

The Leader provided a brief summary leading to the current position and way forward which required Cabinet approval to release the necessary funds due to the amount required. The Head of Planning, Public Protection and Countryside Services added that the allocation of funding to NWH Ltd would be managed via a funding agreement with ANW and assurance could be taken from the due diligence process detailed within the report and involvement of the Chief Auditor, S.151 Officer and Monitoring Officer who were happy to support the recommendations. If Cabinet approved the recommendations, the Council would continue to work closely with ANW and Jones Bros Ltd who were leading on the project and provide regular updates for the local Denbigh members, wider Council membership and Denbigh Town Council.

Cabinet acknowledged the long history of the project and positive report which would enable progression of the project for the benefit of Denbigh and the wider county. In expressing his support for the project, Councillor Rhys Thomas also highlighted the interest of local residents, and queried plans for further public consultation/updates. The Leader and Head of Service confirmed that the issue of public engagement and need for timely information had been discussed. Whilst there were a number of stakeholders involved with the project, that engagement would be led by Jones Bros Ltd and ANW who were committed to working with the community, and the Council would also help to facilitate the effectiveness of that engagement going forward.

RESOLVED that Cabinet –

- (a) notes the position of the UK Government Funding Award for the project;
- (b) approves the recommendation from the Capital Scrutiny Group to proceed with the match funding contribution to support Phase 1 of the Former North

Wales Hospital Project in line with the Council's own financial procedures and the associated Capital Business Case (Appendix 2 to the report);

- (c) *authorises the issue of the Grant to the Development Partner acknowledging i) the checks that have been undertaken as a part of the Due Diligence process required by UK Government and ii) understanding this is subject to satisfactory subsidy control assessment, and finalisation of all outstanding S106 and land transfer items being addressed, and*
- (d) *confirms that it has read, understood, and taken account of the Ambition North Wales Impact Assessment as part of its consideration.*

6 WELSH GOVERNMENT'S PROVISIONAL FUNDING SETTLEMENT FOR LOCAL GOVERNMENT 2025/26

Councillor Gwyneth Ellis presented the report updating Cabinet on the Welsh Government's Provisional Funding Settlement for Local Government 2025/26 and its implications for setting a balanced budget for 2025/26.

Councillor Ellis paid tribute to the Head of Finance and Audit and the Finance Team on the work undertaken following the provisional settlement. Whilst the impact of the settlement had been positive for Denbighshire deficiencies remained within the budgetary process which needed to be addressed by Welsh Government. Prudent measures over recent years had left the Council in a good position and it was important to continue to be prudent going forward. Councillor Ellis also welcomed the feedback from the Governance and Audit Committee following its review of the Medium Term Financial Strategy and Plan and advocated accepting all the recommendations in order to be as open as possible with members and residents.

The Head of Finance and Audit explained the detail of the provisional settlement received in December 2024 and its implications. In brief, the Council's provisional AEF (Aggregate External Finance) from the Welsh Government for 2025/26 equated to £215.222m compared with a restated 2024/25 AEF of £205.729m resulting in a headline increase of £9.493m or 4.6%, which compared favourably to the Welsh average of 4.3%. The restated budget included additional in year funding from the Welsh Government (following the UK Government Budget in October 2024) totalling £4.487m relating to teachers pay, teachers pensions and non-teaching pay. The additional funding had increased the funding above the 4.6% quoted and the true impact was an increase of £14.427m or 7%. Whilst the increase in settlement was positive and welcomed, an increase of around 11% would have been required to fund the budget pressures which still required a combination of savings and increases in Council Tax. Pressures amounting to £21.325m had been highlighted in the 2025/26 budget and the approach to setting balanced budgets over the next few years had been set out. Work to deliver savings in 2025/26 had been detailed with further work ongoing which would be considered by Cabinet and Council in February 2025 and a Members Budget Workshop on 31 January to discuss the budget proposals. Finally, Cabinet was reminded that the Medium Term Financial Strategy and Plan had been considered at various committees and Cabinet was asked to consider the latest feedback from the Governance and Audit Committee as set out in the report.

Cabinet welcomed the better than expected settlement but highlighted that the budget pressures which had been reported during the year remained and, whilst not as severe as expected, there remained a significant budget gap which needed to be addressed in order for the Council to deliver a balanced budget in 2025/26. Cabinet thanked the Lead Member, Head of Finance and the Finance Team for their hard work following the announcement of the provisional settlement and for keeping members well informed of the changes and position to date.

The Lead Member and Head of Finance responded to questions as follows –

- explained why the provisional settlement would be unlikely to differ significantly given that the data used to inform the funding formula would not change before the final settlement, and the Welsh Government had also committed to minimal changes being fully aware that local authorities would need to work to set their budgets prior to the final settlement being announced
- gave an overview of the funding formula and subsequent range in the increases across local authorities with Denbighshire's provisional settlement of 4.6% being slightly better than the Welsh average of 4.3%, and discussions around the possibility of the Welsh Government providing additional floor funding in the final settlement for those local authorities receiving lower settlements
- detailed the benefits of multi-year settlements in order for the Council to plan with greater certainty and focus more on medium term changes instead of one year ahead, particularly given the scale of the pressures facing local authorities in recent years. However, it must also be recognised that multi-year settlements were set at a point in time with no certain knowledge of future variables such as fluctuation/increases in inflation, interest rates, etc. which would impact budgets.

Cabinet also discussed the feedback from the Governance and Audit Committee. Councillor Ellis believed that the Council was already working in line with two of the recommendations relating to a focus on delivering statutory services when budget setting, and to continue to keep residents informed of choices made and their implications, and she was happy to accept them. Councillor Ellis was also in favour of the third recommendation relating to presenting, alongside other options, the level of Council Tax that would be required to cover the budget gap in its entirety which would result in greater transparency of options. The Leader agreed, adding that including that option would further inform the discussion and highlight the difficulties and choices in financing service delivery.

Councillor Bobby Feeley, who was a member of the Governance and Audit Committee, raised further questions and concerns about a potential recommendation to use Council Tax as the sole lever to finance the budget gap. Councillor Ellis clarified that there was no intention to put forward a recommendation in that regard but to include the option for information and greater transparency to show by how much Council Tax would need to be increased to cover the budget gap in its entirety. The Governance and Audit Committee had accepted that it would be an unpalatable option but should be considered nonetheless as it was one of the levers available to the Council given there was no cap on Council Tax. The Head of Finance provided some further context to the Governance and Audit Committee's discussions. Prior to the settlement, the Welsh Local Government Association had reported pressures across Wales of £559m which would require Council Tax increases of over 20% to

fully fund. She added that the level of Council Tax required to fully fund Denbighshire's budget pressures could be reported in the Members Budget Workshop and future reports if required.

RESOLVED that Cabinet –

- (a) *notes the impact of the Welsh Government Provisional Settlement 2025/26 in section 4.1 of the report and updated budget pressures in section 4.2 of the report, and*
- (b) *accepts the feedback from the Governance and Audit Committee and approves their recommendations as set out in section 4.4 of the report.*

7 CAPITAL BLOCK ALLOCATIONS FOR INCLUSION IN THE 2025/26 CAPITAL PLAN

Councillor Gwyneth Ellis presented the report seeking Cabinet's support of projects identified for inclusion in the 2025/26 Capital Plan, as recommended by the Capital Scrutiny Group, for submission to full Council for consideration and approval.

Cabinet was reminded of the agreed principles for funding capital schemes which had been set out in the report in response to the financial challenges facing the Council, limited capital resources, and need to limit the impact of the Capital Plan on the revenue budget. Details of the work of the Capital Scrutiny Group (CSG) in reviewing the allocations presented by services in line with the agreed principles and reducing the block allocations towards the level of capital funding received from the Welsh Government (which at that time was assumed to be the same as 2024/25, £6.185m) were provided together with the CSG's recommendations and reasons for supporting specific projects amounting to £7.227m (reduced from £8.362m in 2024/25). The subsequent available capital funding announced by the Welsh Government was £760k higher than assumed and it was recommended that additional funding be allocated as additional contingency pending further information from the Welsh Government on additional capital grants available in 2025/26. This would assist in deciding how best to allocate the additional funding.

The Lead Member, Head of Finance and Audit along with Cabinet thanked the CSG and all those involved in that process for the hard work undertaken.

Main areas of debate focused on the following –

- the reasoning behind the approach to allocate the additional capital funding from the Welsh Government as additional contingency was further discussed and Cabinet noted that since the provisional settlement had been announced a capital grant had already been received for school maintenance work which would supplement that block allocation and it was anticipated that further capital grants for specific purposes such as highways works would also be forthcoming. Given there was no restriction on spend of the additional capital funding in the provisional settlement, it was recommended that further detail be awaited on the specific capital grants available in 2025/26 to better inform future capital spend allocations for the remaining funding; the position would be closely monitored

- as a member of the CSG, Councillor Gareth Sandilands welcomed the Council's significant capital investment in its assets, and he raised questions regarding the transformational projects and capital investment. It was clarified that the Budget and Transformation Board would be considering projects for transformation and if those projects required capital, they would also be considered by the CSG; it was important to ensure the Council invested carefully and proportionally in transformational projects in order to deliver for residents. However, it was noted that most of the Council's capital spend allocations related to business as usual matters such as maintenance work and adaptations
- the report had referenced capital schemes that were one-off in nature and Councillor Bobby Feeley referred to the subsequent further investment required in the new waste service and sought assurances over future safeguards against that practice when dealing with transformational projects. The Leader and Chief Executive highlighted that such projects were robustly challenged, highlighting the governance and scrutiny processes in place for dealing with capital transformational projects. Whilst no capital project was without risk, arrangements had been put in place to mitigate and manage those risks.

RESOLVED that Cabinet –

- approves the principles for funding capital schemes set out within the report, and*
- supports the projects shown in Appendix 2 to the report for inclusion in the 2025/26 Capital Plan and recommends accordingly to full Council.*

8 FINANCE REPORT

Councillor Gwyneth Ellis presented the monthly report detailing the latest financial position and progress against the agreed budget strategy.

A summary of the Council's financial position was provided as follows –

- the net revenue budget for 2024/25 was £271.021m (£250.793m in 2023/24)
- an underspend of £3.924m was forecast for service and corporate budgets
- current risks and assumptions relating to corporate budgets and service areas
- savings and efficiencies for the 2024/25 budget (£10.384m) and progress in delivering savings approved with ongoing tracking/monitoring
- an update on Schools, Housing Revenue Account and Treasury Management.

The Head of Finance and Audit guided members through the detail of the report. There was a forecasted underspend on service and corporate budgets of £3.924m compared to an underspend of £4.285k last month. The movement of £361k related mainly to increased cost of school transport and children social care offset by reduction in pressures this month by Adult Social Care and Homelessness. Services as a whole continued to overspend in areas including Education and Children's Services, Highways and Environmental Services, and Planning, Public Protection and Countryside Services. The total underspend in Adult Social Care and Homelessness had increased to £800k (positive movement of £220k). Areas of Service overspend had been more than offset by the underspend on corporate

budgets due to the release of contingency and grant funding awarded from the Welsh Government. There had been no change since last month on the Housing Revenue Account and schools' position. The savings tracker had been included in the report detailing progress together with a summary of the capital plan.

Whilst acknowledging the need for savings, Cabinet noted the more positive financial position compared to earlier in the financial year, with the prudent approach of budgeting for all areas of spend pending receipt of potential grant funding standing the authority in good stead. Tribute was also paid to the hard work and transformational change relating to the way of working within homelessness which had a positive impact on the most vulnerable and also resulted in savings to the authority. The change had been instigated some 3/4 years ago and whilst there had been risk in that transformational change it had been assessed and managed.

RESOLVED that Cabinet note the budgets set for 2024/25 and progress against the agreed strategy.

9 CABINET FORWARD WORK PROGRAMME

The Cabinet forward work programme was presented for consideration.

Cabinet noted that the item on the Corporate Joint Committee Governance may not be ready in time for submission to Cabinet in February.

RESOLVED that Cabinet's forward work programme be noted.

The meeting concluded at 11.10 am.