

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	23 <sup>rd</sup> April 2024
<b>Lead Member / Officer</b>	Cllr Gwyneth Ellis Lead Member for Finance Performance and Assets, Liz Thomas, Head of Finance and Audit
<b>Report author</b>	Liz Thomas, Head of Finance and Audit
<b>Title</b>	Update to Medium Term Financial Strategy and Plan for 2025/26 – 2027/28 and review of the Council’s Financial Resilience and Sustainability.

## 1. What is the report about?

1.1. The report provides an update on outstanding matters relating to 2024/25 budget, sets the scene for budget setting in the medium term (2025/26 – 2027/28), and self-assesses the council’s current level of financial resilience and sustainability.

## 2. What is the reason for making this report?

2.1. To update Cabinet on

- outstanding matters relating to the 2024/25 budget
- proposed budget strategy for setting the budget for 2025/26 as set out in the Medium Term Financial Strategy (MTFS)
- financial projections for the 3 year period 2025/26 to 2027/28 in the high-level Medium Term Financial Plan (MTFP), and
- a self-assessment of the council’s financial resilience and sustainability

## 3. What are the Recommendations?

3.1. Cabinet considers, approves and provides feedback on the updates listed in 2.1 above.

3.2. Cabinet approves the commencement of the design phase for Ysgol Bro Elwern, Ysgol Henllan, Ysgol Bro Cinmeirch and Ysgol y Llys projects to enable the Full Business Case to be submitted to Welsh Government for approval as detailed in section 4.7 and Appendices 6 to 9

## **4. Report details**

### **Summary of 2024/25 budget setting position – Appendices 1 and 2**

4.1. A summary of the 2024/25 budget setting position has been included at Appendix 1. This includes an update on the Final Funding Settlement received from Welsh Government, the Voluntary Exit Scheme and the savings tracker at Appendix 2.

### **Medium Term Financial Strategy and Plan 2025/26 – 2027/28 – Appendices 3 and 4**

4.2. Appendix 3 sets out the current budget projections for 2025/26 – 2027/28 along with the assumptions that underpin the projections. At this stage in the budget process the MTFP shows high level estimates of known pressures along with the impact of estimated increases in Council Tax and funding from Welsh Government. The table includes a range of assumptions to provide a low, medium and high estimates of costs for each pressure, illustrating both the uncertainty of the figures and the amount of work that still needs to be carried out to refine these projections.

4.3. Appendix 4 is the Medium Term Financial Strategy (MTFS) which sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that will face the Council over the next three years.

4.4. This is the first iteration of the MTFS 2025/26 – 2027/28 and it has been compiled with data and information available as at the end of March 2024. The document is an early version, it will be subject to refinement as the financial year 2024/25 progresses and will identify workstreams that need progressing during the year.

4.5. The council has faced a significant financial challenge in setting its 2024/25 budget, which is set to continue in the medium term due to a combination of no increases in funding from Welsh Government (working assumption), the continued impact of inflation and increases in demand for and complexity of needs for services. The scale

of the financial challenge facing the council should not be underestimated. Key points are:

- Pressures are difficult to forecast but are ranging from £15m to £27m in 2025/26 with a mid range of £21m. Similar ranges are forecast for 2026/27 and 2027/28.
- The 2024/25 funding settlement from Welsh Government provided no future indication of funding as it has done for the past 2 years. Future funding within the MTFP is based on assessments by Wales Fiscal Analysis at slightly negative reductions in the absence of anything else.
- Assumptions made about Council Tax increases in the MTFP range from 6% - 12% for 2025/26 and a 5.5% long term average thereafter for both years though it is important to note that no decisions have been made yet. A mid-range assumption of a Council Tax increase of 9% for 2025/26 yields an additional £6.8m but only addresses a third of the funding gap, the remaining gap is substantial at £15m.
- The council should be planning to take action to reduce the projected net expenditure by c£21m in 2025/26 to set a balanced budget. That reduces to c£15m were a Council Tax increase in the region of 9% to be supported.

## **Self-assessment of Financial Resilience and Sustainability – Appendix 5**

4.6. At the January 2024 meeting of the Governance and Audit Committee a request was made to stress test the Council's budget processes. In particular, reference was made to guidance and a report written by CIPFA (Chartered Institute of Public Finance and Accountancy). Appendix 5 is an assessment of the Council's position against common themes and issues identified by CIPFA.

## **Approval of Welsh Government Capital Programme Funding – Appendices 6 – 9**

4.7. The Capital Scrutiny Group has reviewed and supported business cases for the commencement of the design phase for Ysgol Bro Elwern, Ysgol Henllan, Ysgol Bro Cinmeirch and Ysgol Y Llys projects to enable the full business case to be submitted for approval by the Welsh Language and Childcare and Early Years Welsh

Government Capital Grant Programmes as detailed in Appendices 6 to 9. Confirmation has been provided that should the Full Business Case not be successful these design phase costs will still be eligible for grant funding.

## **5. How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?**

5.1. Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas. The proposals include allocations to continue to support both corporate and service priorities.

## **6. What will it cost and how will it affect other services?**

6.1. As set out within the budget reports to date for 2024/25. Financial and other implications for future budgets will become clearer as we progress the budget strategy.

## **7. What are the main conclusions of the Well-being Impact Assessment?**

7.1. A Well-being Impact Assessment (WIA) was completed for each major savings proposal in setting the 2024/25 budget. All assessments were collated and reviewed by strategic planning and performance officers to highlight any themes and patterns emerging to provide regular updates on the aggregate impact in respect of each of the well-being goals and whether the savings were disproportionately affecting any particular protected group. This was collated to form an overall WIA regarding the impact of necessary budget reduction measures to form a high-level aggregation of the combined budget reduction measures, and this work continues as savings proposals continue to be refined.

7.2. A similar process will be implemented for 2025/26 budget setting.

## **8. What consultations have been carried out with Scrutiny and others?**

8.1. As set out within the MTFs a Communication Plan has been developed for the budget to ensure that the following groups are consulted at the appropriate times: Governance and Audit Committee, SLT, Cabinet, Group Leaders, all Council Members, the School Budget Forum, Trade Unions, our employees, local businesses, and our residents.

## **9. Chief Finance Officer Statement**

- 9.1. The Council, along with all other Welsh councils, faces unprecedented financial challenges. The report summarises and concludes work on financial planning for 2024/25, the work now transfers to monitoring the 2024/25 budget. Updates will be provided to Members through the monthly finance update report to Cabinet.
- 9.2. The aim of the MTFS is to ensure that the council delivers future balanced budgets. Setting out the projections and strategy early through this report will help ensure that the Council is informed and prepared to set a budget at this challenging time.

## **10. What risks are there and is there anything we can do to reduce them?**

- 10.1. The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. Failure to agree these proposals without viable alternatives will risk not achieving a balanced budget for 2025/26.
- 10.2. A detailed section on risk is included in the MTFS in appendix 4.
- 10.3. There are risks with regard to the capacity of the Finance team that Members need to be aware of. The team are currently working with Audit Wales on the audit of the 2022/23 accounts, and also the closure of the 2023/24 accounts in April and May. Usually there is very limited capacity for anything else other than closedown the accounts during April and May. This year however there is the added complexity of a new financial system being introduced from 1st April. As with the introduction of any new system that effects hundreds of users across all our financial systems there will be some disruption before things settle down.
- 10.4. Monthly finance updates from the new financial year are normally up and running by June, it is likely to be July this year if progress with the new system goes well but there is a risk it could be September. This poses a risk to the Council in not being able to fully report spend against budget during the first few months of the financial year. In mitigation of this risk, we will report by

exception any areas of significant overspend and report the savings tracker regularly. Regular updates will be provided to Cabinet on these risks.

## **11. Power to make the decision**

11.1. Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.