

## **Summary of 2024/25 Budget Setting Position**

In setting its budget for 2024/25 the Council faced pressures of £24.561m from inflationary increases such as pay and increases in demand and costs of providing Social Care. The Draft Local Government Settlement for 2024/25 was received by the council on 20th December and resulted in a positive settlement of 3.7%, compared to the Welsh average of 3.1%. Denbighshire has seen an increase in population and free school meals data which are factors used in the formula to distribute funding to councils. These increases will result in higher demands for services.

The increase in Welsh Government funding equated to £6.720m, which considering the council's pressures resulted in a significant funding gap of £17.841m. This was bridged by the categories listed and summarised in the table below;

- Increasing Council Tax by 8.23% for Council services plus an additional 1.11% for the increase in the levy to the North Wales Fire and Rescue Authority. This equated to an overall uplift of 9.34%.
- Major Savings Proposals – Heads of Service were tasked with bringing forward large-scale saving projects, in discussion with Lead Members.
- Non-strategic savings - Heads of Service (in conjunction with their Lead Members) are delivering a range of non-strategic efficiencies/smaller scale savings across service areas.
- School received funding to cover inflationary pressures for pay, pensions, energy etc totalling £7.616m. Given the scale of the challenges faced however, schools were asked to find savings of 3%. The schools net budget increased by £4.9m (5.82%) in cash terms.
- Despite efficiencies, savings, and reductions in costs/services to date, in total they were insufficient to set a balanced budget. All Heads of Service were therefore issued with further savings targets totalling £3m.

|                 | £m    | £m       | %   |
|-----------------|-------|----------|-----|
| Pressures       |       | 24.6     |     |
| Savings;        |       |          |     |
| Schools         | (2.7) |          |     |
| Non-Strategic   | (2.3) |          |     |
| Target          | (3.0) |          |     |
| Major Savings   | (2.4) |          |     |
| Total Savings   |       | (10.4)   | 42% |
| Council Tax     |       | (7.5)    | 31% |
| AEF (RSG & NDR) |       | (6.7)    | 27% |
| <b>Total</b>    |       | <b>0</b> |     |

No cash from reserves was required to support the budget following the strategy to minimise the use of cash reserves in setting future budgets as far as possible as reliance on reserves is not sustainable. However, we were aware of a heightened level of risk in the budget given the scale of the savings needed to be found, continued uncertainty around cost pressures on items such as pay and those services that have recently struggled to stay within the budgets set at the beginning of the year (eg adult's and children's social care, homelessness, highways and environment).

#### Monitoring Delivery of Savings

Achievement of savings will be tracked in the monthly finance report to Cabinet and the draft savings tracker is included at Appendix 2 for Members review and feedback.

#### Update on Voluntary Exit Process

One of the Major Savings Proposals was a Voluntary Exit Scheme which opened on 20th November and closed on 8th January 2024 for employees to apply. Heads of Services reviewed each application and completed a business case for the Corporate Executive Team (CET) to consider.

The purpose of this scheme was to find financial savings from people leaving the organisation which would minimise the need to make compulsory exits. Submitting a request did not constitute a commitment by either the employee or the employer to agree the exit. All applications have been carefully considered against agreed criteria:

- The cost of allowing the employee to leave (redundancy payment, pension strain costs etc.)
- The saving that will be made
- The impact on service delivery

As this is a voluntary scheme, the Council can decide which applications they wish to agree. Similarly, employees can choose whether to apply and accept any offer made.

CET have considered all circa 138 applications received, the combined savings would have been £5m with exit costs of £6.7m (which includes redundancy costs individuals will receive, and pension strain costs the Council under Local Government Pension Scheme Regulations would have to pay to the pension fund for employees over 55 only, the latter if applicable can be a significant amount). 33 employees have accepted the offer, 11 employees were offered but rejected the offer and 94 were not approved by CET. The savings are estimated at £1.3m – £1.5m and the one-off exit costs are funded by reserve are c£800k. The process has taken time but has been thorough. It has provided savings, prompted reviews of how services are organised and delivered in the future.

#### Final Local Government Settlement 2024/25

The Final Local Government Settlement for 2024/25 was published on 27<sup>th</sup> February 2024. There has been an increase of £6.051m between draft and final settlement. It is important to stress that the bulk of that figure comes from grants transferring into the settlement see table below and has very little effect on the Council's budget position for 2024/25. All this means is that funding comes via the WG Revenue Support Grant (RSG) rather than a specific grant. For budget setting purposes we passport the funding to the relevant service area to offset the loss of grant.

| <b>Transfers In 2024/25</b>               | <b>£m</b>    |
|---|--------------|
| Coastal Risk Management Programme         | 5.270        |
| Performance and Improvement Framework     | 0.040        |
| Flood and Coastal Erosion Risk Management | 0.225        |
| Child Burials                             | 0.032        |
| <b>Total</b>                              | <b>5.567</b> |

WG have received a £25m consequential from UK gov as a result of increased spending on Social Care in England. £10m has been used to maintain the Social Care Workforce Grant at existing levels, it had been planned to be cut by £10m. The remaining funding has gone into the RSG. The remaining balance £0.484m (difference between £6.051m and £5.567m above) equates to our share of the consequential funding WG have had. In the budget report to Council, delegated authority was given to Head of Finance in conjunction with Lead Member for Finance to balance the budget using reserves to manage any movement between draft and final settlement. The £0.484m will be set aside as a contingency to provide further safeguard against the risk of an in year overspend, or in not being able to achieve full year savings in 2024/25.

For completeness, the final increase in funding from WG compared to 2023/24 was 3.8%, compared to the Welsh average of 3.3%. This resulted in additional funding of £7.204m (£6.720m reported in the draft plus the £0.484m) (excluding the transfers in).