

Report to	Cabinet
Date of meeting	22 nd October 2024
Lead Member / Officer	Lead Member for Finance, Performance and Assets / Head of Finance and Audit
Report author	Head of Finance and Audit
Title	Update to Medium Term Financial Strategy and Plan for 2025/26 – 2027/28.

1. What is the report about?

- 1.1. The report provides an update to the Medium-Term Financial Strategy and Plan for 2025/26 – 2027/28.

2. What is the reason for making this report?

- 2.1. The report updates Cabinet on

- 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 Medium Term Financial Plan (MTFP)
- progress on savings proposals that are being developed.

3. What are the Recommendations?

- 3.1. Cabinet approves the MTFS and MTFP included at Appendices 1 and 3
- 3.2. Cabinet reviews and considers early savings proposals for setting the 2025/26 budget as set out in Appendix 2.
- 3.3. Cabinet notes the on-going work to set a balanced budget in 2025/26.

4. Report details

4.1. Cabinet has agreed to receive periodic updates of the MTFS and MTFP 2025/26 – 2027/28 throughout the year. The first iteration was considered by Cabinet in April with a second iteration considered in July. Both versions of the MTFS and MTFP have been considered by the Governance and Audit Committee and Performance Scrutiny Committee. Feedback (iteration 1) from both these committees was summarised in the July report, with no further feedback offered from iteration 2.

Medium Term Financial Strategy and Plan 2025/26 – 2027/28 – Appendices 1, 2 and 3

- 4.2. Appendix 1 sets out the current budget projections for 2025/26 – 2027/28 along with the assumptions that underpin the projections. As we move closer to setting our budget for 2025/26 cost pressures have been refreshed to reflect current information available in the MTFP. The table continues to include 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 ongoing work to continue refresh and refine these projections over the coming months. The impact of estimated increases in Council Tax and funding from Welsh Government is also included in the MTFP.
- 4.3. Appendix 3 is the MTFS which sets out the Council's strategic approach to the management of its finances and outlines the financial issues that will face the Council over the next three years.
- 4.4. This is the third iteration of these documents and has been compiled with data and information available as at early October 2024. The documents will continue to be updated as set out in the MTFS as the Council prepares to set its budget for 2025/26 in February 2025.
- 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 currently ranging from £12m to £26m in 2025/26 with a mid-range of £18m. 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 in the past couple of 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 range from 6% - 12% for 2025/26 with a 5.5% long term average thereafter for both years. 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 £12m.

4.6. Changes made to the MTFFS are highlighted in yellow in appendix 3 for the ease of Cabinet and are summarised below;

- Budget pressures have been updated to include latest forecasts
- Risks – updates on pay awards
- Fees and Charges section has been updated along with the capital section.

4.7. As set out within the MTFFS the approach to setting balanced budgets over the next few years will need to both identify savings and invest in transformational projects. In terms of 2025/26 savings, target percentage service reductions have been issued which services have been working towards achieving alongside considering the impact on service delivery. Included at Appendix 2 for Cabinet's consideration are early savings proposals that Heads of Service consider are sufficiently developed to be brought forward now for consideration. This provides a level of reassurance that progress is being made to all.

4.8. Whilst significant savings have been developed to date in Appendix 2, these are not sufficient alone to bridge the funding gap as it stands. There continues to be much uncertainty around at present that could change the size of the gap, for example pay assumptions may need to change, funding from Welsh Government may change. Every Head of Service continues to develop further savings proposals which will need to be considered alongside all other options available to set a balanced budget

including decisions around Schools' Budgets and Council Tax as the Council gets closer to setting its budget for 2025/26.

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 2025/26. 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. These were collated to form an overall WIA of the combined budget reduction measures. This has been updated throughout 2024/25.

7.2. A similar process is being implemented for 2025/26 budget setting.

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

8.1. 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 aim of the MTFS is to ensure that the council delivers future balanced budgets. Setting out the projections and strategy in 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 3.

10.3. As highlighted previously there are risks regarding the capacity of the Finance team that Members need to be aware of. A new financial system was brought into use from 1st April. As with the introduction of any new system there has been some disruption as a result with teams needing to work to find solutions to these issues.

10.4. The Council had over time developed an efficient automated way of producing the monthly finance update to Cabinet quickly. These monthly reports are usually up and running by June in any new financial year. The development of automated budget monitoring from the new system, was planned for the summer and would not be in place until September. Whilst good progress has been made, it is still under development currently which is a risk to the Council. To mitigate the risk, the finance team are reviewing budgets manually, focusing on high-risk areas, to update Cabinet on areas of significant risk of overspend and have worked with all Heads of Service to update the savings tracker.

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.