

PROPOSED PRESSURES FOR INCLUSION IN BUDGET 2025/26 AND ASSOCIATED RISKS

1. Budget pressures reflect the estimated increases in costs the council faces in the next financial year.
2. The pressures included in the 2025/26 budget total £23.854m. This equates to 8.8% of the 2024/25 budget and is the 3rd year consecutive year of pressures in excess of £20m.
3. The table below sets out the detail contained within the MTFP in Appendix 1 regards budgetary pressures.

Pressure	£m	Description
Pay	3.026	Non-schools April 2025 pay award estimated at 3.8% in line with Office for Budget Responsibilities estimate of wage growth for 2025/26.
Increase in NI	2.733	Reflecting the changes made to employers National Insurance (NI) contributions from April 2025. Pressure covers non-schools – directly employed
Pay Grading	-1.760	See paragraph below
Adult Social Care	3.732	Forecasts updated to reflect higher than forecast increases in real living wage and employers NI costs on commissioned care.
Childrens Services	4.284	Forecast based on current placements (Oct 2024) and estimates for inflationary uplifts. Assumes no additional residential placements.
Highways and Environmental Services	1.667	Increase in Recycling and Waste budget as agreed by Cabinet in October 2024 £1.067m. Increase in costs of delivering highways winter maintenance £0.600m.
Schools	5.725	This includes funding for teaching and non-teaching pay awards estimated at 3.8%, employers NI, and leisure and property service level agreements. Also, includes funding for 0.5% to cover the shortfall in September 2024 pay award.

Schools - Demography	-0.480	Reflect an overall decrease in September 2024 pupil numbers used in the schools funding formula.
Fire Levy	0.500	The North Wales Fire and Rescue Authority is funded by a levy based on population is charged on all 6 North Wales councils. The levy is set by the Fire Authority, not by the councils, which ultimately must be paid. Current estimates are that the levy will increase by 7%.
Council Tax Reduction Scheme (CTRS)	0.500	Funding for CTRS transferred into the settlement several years ago and has not increased. Additional costs as a result of increases in council tax therefore requires funding.
Investment in Priorities	0.250	Impact of capital programme repayment of borrowing, interest costs and capacity – this pressure relates specifically to the Climate and Nature Strategy.
Transformation	0.250	To fund the transformation programme set up to achieve financial sustainability.
Home to school / college transport	0.640	Budget pressure emerged during 2024/25 – estimate of increased costs of delivering home to school / college transport.
Member remuneration	0.124	Payments to elected members are set by the Independent Remuneration Panel for Wales and have been increased by more than the budget available.
Property maintenance	0.533	Property maintenance budgets are now insufficient to meet demands to ensure safe and compliant operation of Schools, Non-Schools and Public buildings estate.
Other	0.508	Indexation on corporate contracts and costs
Contribution to unearmarked reserves	0.500	The aim in the Medium-Term Financial Strategy is to increase the level of unearmarked reserves over the medium term from its current level of £5.6m which is 2% of the 2024/25 net budget. Pressure necessary to maintain the proportion of unearmarked reserve to net budget given the increase in budget.
Contingency	0.750	To mitigate against service risks outlined below. Would be allocated by in year Cabinet approval.
Transfers In / Out	0.372	Technical budgetary adjustment necessary to reflect amendments to grants into the settlement. 'No-one Left Out' and Homeless prevention less reductions for coastal risk management programme.
Total Pressures	23.854	

4. Pay Grading pressure. In recent years increases to the National Living Wage driven by high levels of inflation has had an impact on the Council's pay structure. Grades have compressed at the lower end of the structure due to the removal of some spinal points and there is an increasing need to review the structure. The pressure whilst still included in the MTFP has been pushed back reflecting the commitment made by the national employers in recent pay negotiations to redesign the national pay spines and the time that may take. The Council recognises the need to review its pay structure, but it would not be feasible to complete that review when changes to the national pay spine are planned.
5. National Insurance contributions. The increase in employers' national insurance (NI) contributions from April 2025 has been included as a cost pressure separately for directly employed non-schools' employees and within the schools figure for employees directly employed by schools. Provision has been made in Adult Social care pressure to reflect the impact of the increase in NI on commissioned care. Funding is anticipated from governments to cover the costs of employees directly employed by the public sector but has not been confirmed at this stage.

Risks

6. Budgetary pressures are included based on judgements and forecasts of demand for services. The list below provides details of the strategic risks that the council is facing which set out either where it has not been possible to quantify costs and budgetary provision has not been included, or there is still a degree of uncertainty if it will materialise.
 - Pay Awards – The 2025/26 pay awards have yet to be confirmed. Should the pay award be settled at an amount in excess of what has been set aside in the 2025/26 budget, then the Council would need to use reserves in year to fund and to correct the base budget in 2025/26 which adds to future pressures in the MTFP for 2026/27 onwards.
 - Children's Services Placements – demand is difficult to forecast, complexity of needs coupled with inflation have driven up costs significantly in recent years. WG have set a priority of eliminating private profit from the care of looked after children, this is having an impact on the market in Wales by driving up costs in advance of those legislative deadlines.

- Adult Social Care – care fees and an increase in the number of complex cases could be in excess of budgeted levels.
- Homelessness – The general lack of social and affordable housing coupled with changes in legislation during the pandemic saw a significant increase in the number of people presenting as homeless in recent years. This led to significant additional cost, particularly in relation to temporary accommodation for all councils. Whilst there are a number of workstreams being progressed with positive results to reduce the costs and numbers in temporary accommodation the situation can change quickly.
- Home to school / college transport – difficult to forecast demand could exceed budget
- Out of County Education placements – currently overspending against budget. Further work required to review current level of overspend and assess impact on 2025/26 budget. Given further work required, no pressure has been included and therefore this risk would need to be managed in year either from contingency budget or reserves.
- Interest rates - The cost of borrowing has increased over the last 2-3 years due to interest rate rises. Until early 2022 the Council could borrow at interest rates between 1.5% and 3%. By September 2022 they were over 5% and have remained between 4% and 6% since then and are volatile. In January 2025 they have gone over 6% for the first time since 1998.
- Impact of employers NI increase on other costs.
- Denbighshire Leisure Limited since it started trading in 2020 has been subject to the same inflationary pressures as the Council has faced mainly due to pay, food and energy increases. During this time no additional funding has been provided under the management fee with additional costs being funded from growth in activity and income. Forecasts for future years, in light of additional pressures including the increase in employers NI, are that additional funding may be required. This will be reviewed in year at the Strategic Governance Board, with any additional funding needing to be approved by Cabinet and funded in year either from contingency budget or reserves.