

<b>Report to</b>	Governance and Audit Committee
<b>Date of meeting</b>	30 <sup>th</sup> April 2025
<b>Lead Member / Officer</b>	Leader
<b>Report author</b>	Head of Finance and Audit
<b>Title</b>	Medium Term Financial Strategy and Plan for 2026/27 – 2028/29 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 2025/26 budget, sets the scene for budget setting in the medium term (2026/27 – 2028/29), and updates the self-assessment of the Council's level of financial resilience and sustainability.

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

- 2.1. To update the Committee with

- the final version of the savings tracker for 2024/25.
- outstanding matters relating to the 2025/26 budget.
- proposed budget strategy for setting the budget for 2026/27 as set out in the Medium-Term Financial Strategy (MTFS).
- high level financial projections for the 3-year period 2026/27 to 2028/29 in the Medium-Term Financial Plan (MTFP), and
- the self-assessment of the Council's financial resilience and sustainability.

### **3. What are the Recommendations?**

- 3.1. The Committee considers, approves and provides feedback on the updates listed in 2.1 above.

### **4. Report details**

#### **Final version of 2024/25 savings tracker – Appendix 1**

- 4.1. A final version of the 2024/25 savings trackers has been included at Appendix 1. This includes a summary of the overall position for Major Savings Proposals and Non-strategic Savings and shows that 82% and 92% have been achieved respectively.

#### **Update to 2025/26 budget setting position.**

- 4.2. Council set the 2025/26 budget and Council Tax on 20<sup>th</sup> February 2025 based on the Provisional Local Government Settlement. The Final Local Government Settlement for 2025/26 was received later that day and resulted in a very small increase in funding of £29,659. This sum has been added to the contingency budget within the corporate budget.

#### **Medium Term Financial Strategy and Plan 2026/27 – 2028/29 – Appendices 2 and 3**

- 4.3. Appendix 2 sets out the current budget projections for 2026/27 – 2028/29 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.
- 4.4. Appendix 3 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.

4.5. This is the first iteration of the MTFS 2026/27 – 2028/29 and it has been compiled with data and information available as at the end of March 2025. The document is an early version, it will be subject to refinement as the financial year 2025/26 progresses and will identify workstreams that need progressing during the year.

4.6. The Council has faced a significant financial challenge in setting recent budgets budget, which is set to continue in the medium term as the forecast increases in funding from Welsh Government (working assumption), is highly unlikely to keep pace with increases in demand for and complexity of needs for services and the continued impact of inflation. 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 £14m to £26m in 2026/27 with a mid-range of £21m. Similar ranges are forecast for 2027/28 and 2028/29.
- The 2025/26 funding settlement from Welsh Government provided no future indication of funding. The current predictions for future funding from Welsh Government assume increases of 1% in the absence of any indication from government and are similar to assumptions other Welsh Councils are making.
- Assumptions made about Council Tax increases in the MTFP range from 6% - 12% for 2026/27 and a 6.1% 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 2026/27 yields an additional £7.5m but only addresses approximately a third of the funding gap, the remaining gap is substantial at £11m.
- The Council should be planning to take action to reduce the projected net expenditure by c£21m in 2026/27 to set a balanced budget. That reduces to c£11m were a Council Tax increase in the region of 9% to be supported and the increase in funding from WG.

## **Self-assessment of Financial Resilience and Sustainability – Appendix 4**

4.7. 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 4 is an update to the assessment of the Council's position against common themes and issues identified by CIPFA.

## **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. The Well-being Impact Assessment (WIA) is evolving alongside savings proposals. A full WIA is developed for each savings proposal of significant impact to support understanding more holistically as to the impact of the reduction in service and develop further the possible mitigations. All assessments are 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 has been 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 2026/27 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, Performance Scrutiny, SLT, Cabinet,

Group Leaders, all Council Members, the School Budget Forum, Trade Unions, our employees, 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 2025/26, the work now transfers to monitoring the 2025/26 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 3.
- 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, finalising the 2023/24 accounts, and also the closure of the 2024/25 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 producing the accounts from the new financial system introduced on the 1st of April 2024.
- 10.4. Monthly finance updates from the new financial year are normally up and running by June, it 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.