

## CABINET

<b>Date of Meeting</b>	Wednesday, 25 <sup>th</sup> September 2024
<b>Report Subject</b>	Audit Wales Report – Financial Sustainability
<b>Cabinet Member</b>	Cabinet Member for Finance and Social Value
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The purpose of the report is to provide an overview of the findings of a local report by Audit Wales entitled 'Financial Sustainability Review – Flintshire County Council.

Audit Wales have undertaken a review of all 22 Welsh Local Authorities with the following two main objectives:

- 1) To provide assurance that councils have proper arrangements to support their financial sustainability and
- 2) To explain councils' financial position and the key budget pressures and risks to their sustainability.

A national report will be produced later in the year once all reviews are complete.

The local report for Flintshire County Council is attached in Appendix 1 together with the key questions covered as part of the review.

The organisational response to the recommendation is included as Appendix 2 to the report and there is a separate report on this agenda which details the Council's latest financial position and its approach to budget setting for the 2025/26 financial year.

A representative from Audit Wales will be in attendance to present their findings in more detail.

### **RECOMMENDATIONS**

1	That Cabinet consider the report on Financial Sustainability from Audit Wales and agree the organisational response.
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## REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL SUSTAINABILITY REPORT
1.01	The purpose of the report is to provide an overview of the findings of a local report by Audit Wales entitled 'Financial Sustainability Review – Flintshire County Council.'
1.02	<p>Audit Wales have undertaken a review of all 22 Welsh Local Authorities with the following two main objectives:</p> <ol style="list-style-type: none"><li>1) To provide assurance that councils have proper arrangements to support their financial sustainability and</li><li>2) To explain councils' financial position and the key budget pressures and risks to their sustainability.</li></ol>
1.03	A national report will be produced later in the year once all reviews are complete. The local report for Flintshire County Council is attached in Appendix 1 together with the key questions covered as part of the review.
1.04	<p>Overall, the Audit Wales report found that <i>the Council's arrangements do not provide assurance that it can identify strategic transformation in the short and medium-term of the scale required by its financial position. This, combined with its low level of reserves and spiralling costs in some service areas, puts the Council's financial sustainability at serious risk.</i></p> <p>Audit Wales will be in attendance at the meeting to present their findings in more detail.</p>
1.05	<p>The report includes one recommendation as detailed below:</p> <p>There are weaknesses in how the Council identifies savings. To change this, the Council should:</p> <ol style="list-style-type: none"><li>1) work with officers and members to develop arrangements for identifying savings of a scale that can impact on its identified budget gap from a range of sources; and</li><li>2) develop and implement arrangements to identify and evaluate the impact of these savings on services and service users.</li></ol> <p>The organisational response to the recommendation is included as Appendix 2 to the report and there is a separate report on this agenda which details the Council's latest financial position and its approach to budget setting for the 2025/26 financial year.</p>

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct financial implications arising from the report. The scope, objectives and findings of the report from the Audit Wales financial sustainability review of Flintshire County Council are contained within the Audit Wales report together with the context. The recommendation of the report will be addressed within existing budget and resources.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>	
3.01	<b>Ways of Working (Sustainable Development) Principles Impact</b>	
	Long-term	Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging for the longer term. Sustainable funding from Welsh Government that provides additional funding for Indexation, Service demands and new legislation will provide a positive and sustainable position for the Council in the longer term.
	Prevention	As above
	Integration	Neutral Impact
	Collaboration	Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.
	Involvement	Communication with Members, residents, and other stakeholders throughout the budget process.
	<b>Well-Being Goals Impact</b>	
	Prosperous Wales	Longer term funding settlements from Welsh Government that provide additional funding for indexation, service demands, and new legislation will aid sustainability and support a strong economy that encourage business investment in the region. The opposite will be true if settlements are inadequate.
	Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
	Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
	More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.

	Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
	Vibrant Wales	As Healthier and Cohesive Wales above
	Globally responsible Wales	Neutral impact.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	The report will be shared with Corporate Resources Overview and Scrutiny Committee and Governance and Audit Committee.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Audit Wales report on Financial Sustainability Review – Flintshire County Council  Appendix 2 – Organisational response to the recommendation

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Gary Ferguson Corporate Finance Manager <b>Telephone:</b> 01352 702271 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.  <b>Revenue:</b> a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.  <b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it

	includes both the revenue budget and capital programme and any authorised amendments to them.
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