

Not Confidential

Decision Sheet From: **Cabinet**

Date: **09 November 2016**

Title: **BUDGET 2017/18 AND MEDIUM TERM  
FINANCIAL STRATEGY 2016 - 20**

Portfolio Holder: **Portfolio Holder for Resources**

Divisions Affected: **All**

Relevant Scrutiny Committee: **Scrutiny Management Committee**

Key Decision: **Yes**

Checklist Compliant: **Yes**

Urgent Decision: **No**

Implementation Date: **21 November  
2016**

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**Decision:**

**To recommend to Council that :-**

1. That a rise in Council Tax of 1.97%, plus a levy of 2% to be spent solely on Adult Social Care, for the financial year 2017/18 be agreed in principle (an overall increase of 3.97%, equivalent to a Band D charge of £1,398.70);
2. That indicative future increases in Council Tax, and subject to changes in council tax limiting principles, are agreed for budget planning purposes:
  - i) for the financial years 2018/19 and 2019/20, a rise of 3.97% which includes a 2% levy for Adult Social Care
  - ii) for the financial year 2020/21, a rise of 1.97%;
3. That a net General Fund Revenue Budget for 2017/18 of £492.055m be set;
4. That the Chief Executive, Strategic Directors and Service Directors be required to meet the revenue budget expenditure targets for each service area, as set out in Appendix 1 to this report, for the delivery of Council Services in 2017/18 and ensuing years within the Council's Medium Term Financial Plan up to 2020/21;
5. That the Capital Programme for the Council, as set out at Appendix 3 to this report, be approved; and

- |                                                                                                                                                                                                                |
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| <p>6. That any variation of up to £1m from current assumptions for the financial year 2017/18 arising from the final Government settlement are dealt with by transfer to or from the General Fund Reserve.</p> |
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## **1. Executive summary**

This report presents the provisional Budget 2017/18 and proposed amendments to the previously agreed Medium Term Financial Plan (MTFP) for the financial years 2017/18 – 2020/21.

The report also sets out the process for how the Cabinet will take the detailed budget information and feedback from the Policy Advisory Committees (PACs) and stakeholders, to produce a Business Plan for the 2017/18 year, for agreement by Council in February.

The Corporate Budget and MTFP, as outlined within this report and the attached Appendices, deliver a balanced budget for the financial year 2017/18 and, by providing a budget framework for the four financial years ending 31 March 2021, continue the Council's approach for sound financial planning by proposing a balanced budget over the medium term.

This budget builds on the existing approved medium term financial plan – proposals have been reviewed, updated and engaged upon but critically the main elements of the existing plan still hold and do not require any additional draw on general fund reserves over and above those already assumed within the existing financial plan.

As previous, this budget continues to recognise the priority areas set out in the Council's strategy, and protects as far as possible vulnerable people. The Adult Social Care budget in 2017/18 will be £134m, an increase of £11m (9%) from current levels and will rise further to £143m by 2019/20.

If approved, the Cabinet will put forward to Council a net revenue budget of £492.055m in 2017/18 with savings to be delivered of £33.9m, with a proposal to increase Council Tax by 3.97% including a 2% levy generating an additional £5.2m to be spent solely on Adult Social Care.

The proposed capital programme will see investment of circa £700m made into Cornwall over the next few years, most significantly in key areas of transport, housing and the economy.

These investments will deliver key infrastructure projects, including the A30 at Temple, SuperFast Broadband, and will provide for improved and more affordable housing.

Proposals as set out reflect latest assumptions regarding the level of resources available to the Council and remain subject to the outcomes of the Autumn Statement, which will be announced on 23 November, and Local Government Finance Settlement, the results of which are not anticipated until mid-December.

Last year the Government made a four-year funding offer to all Local Authorities that have in place a four year efficiency plan. Cornwall Council has accepted that offer<sup>1</sup>, providing more certainty over future funding levels.

The Government, in the recent technical consultation on the local government settlement for 2017/18, confirmed that for those authorities that accept the offer, funding levels contained within the four year settlement will stand. It is unlikely therefore that resource levels will vary significantly from current assumptions and proposals are that any funding variation arising from the final Government settlement for the financial year 2017/18 are dealt with by transfer to or from the General Fund Reserve so as to allow time for additional savings to be brought forward.

## **2. Background**

### Finance Strategy and Medium Term Financial Plan

The Finance Strategy, which forms part of the Council's Organisational Development Framework, sets out key objectives for the effectiveness of the Council's finances including the need for a rolling four year Medium Term Financial Plan.

The current MTFP was approved in February 2016. This set out the saving proposals that would be put in place over the four years 2016/17 – 2019/20. The MTFP can be found at:

<http://www.cornwall.gov.uk/media/18096816/medium-term-financial-plan-2016-17-to-2019-20-for-website.pdf>

### Process and Engagement

The Scrutiny Management Committee endorsed the process and principles to be followed to set the budget for 2017/18 and agree the Medium Term Financial Plan for the years through to 2020/21 at its meeting on 1 June 2016. At the heart of these was the need to confirm that the existing agreed savings were achievable.

The process sees the Medium Term Financial Plan being extended to incorporate the 2020/21 financial year such that it continues to be a four year plan. The 2020/21 year is an indicative real terms roll forward of the 2019/20 budget whereby corporate resources such as Council Tax and Business Rates will be increased for growth assumptions but equalised out with a broad allowance for inflation. This will be retained centrally until such time that the service priorities and demands arising in 2020/21 have been determined.

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<sup>1</sup> It is anticipated that the Council's Medium Term Financial Plan is sufficient to meet the Government's qualifying criteria of an 'efficiency plan'. Deadline for submissions was 14 October 2016 and at the time of writing the Council is awaiting Government confirmation.

This year's process saw Services review their savings and growth plans, taking into account those savings not being delivered in full in the current year that have a subsequent knock on effect; this was an area of concern raised by the external auditor in their value for money opinion.

The review has not fundamentally changed plans from those previously agreed but highlighted areas of concern where action or alternative savings have needed to be brought forward.

Following consideration, the Cabinet sought the views of the PACs throughout October 2016 on its proposals to deliver a balanced budget in 2017/18 and a budget framework for the four financial years ending 31 March 2021.

Consideration of the budget proposals by PACs and the Health and Adult Social Care Overview and Scrutiny Committee is a significant part of the process for agreeing a balanced budget that reflects the needs of and priorities for Cornwall (as reflected in the Council Strategy), taking into account legislative requirements and financial restrictions. Appendix 4 details the Cabinet's response to the comments and recommendations received.

Also, on 31 October, a statutory 'budget' stakeholder event took place at Royal Cornwall Showground Pavilion (Wadebridge). Presentations are available on the Council's website and a 'live' webchat is scheduled for November to enable those unable to attend to take part.

Recommendations from the PACs, together with the feedback from the public consultation events have helped inform the Cabinet in its deliberations on their final budget proposals.

This Medium Term Financial Plan continues to build on, and for the large part remains consistent with, the Financial Plan as originally implemented from 2014/15. Since that time the budget proposals have been subject to considerable scrutiny and consultation not just with the Council's Membership and PACs, but also annually through statutory stakeholder budget consultation events, staff surveys and public meetings.

Budget engagement events have been promoted and advertised widely through the local press and media, social media, the Council's website, resident panels, town and parish councils and local groups and staff communications. This has enabled people from across Cornwall to understand and engage effectively on the Council's finances, feedback from which has been used to inform the Cabinet's budget proposals.

The 'Have Your Say' campaign in 2014 and last years 'Open Doors' sessions, has seen the Council consult on its financial plans at public meetings in community network areas covering the whole of the county and open to Town and Parish Councils, local groups, organisations and businesses and the public. Supported bespoke events were organised for particular groups including for example Voluntary and Community Sector Enterprises partners, Cornwall Young Farmers, Disability Cornwall, and,

for people with learning difficulties, the Learning Disability Partnership Board and Cornwall People First.

For stakeholders unable to attend an event, access to budget information was also made available at contact centres, libraries and one stop shops and on-line on the Council's web site where stakeholders could e-mail their responses, join in on an on-line conversation/web chat or use the web tool 'You Choose' to simulate the key budget decisions like Council Tax rises and resource allocation.

The Council also undertakes various service specific consultations to develop policy and implement change in a considered way e.g. the library and one stop shop review, the town parking review identifying and considering parking solutions, housing provision and Health and Social Care to help shape future service provision.

The Council is effective in undertaking consultations in relation to those matters in which it is obliged to consult and those where it is desirable to consult and it's approach to consultation helps strengthen the decisions it makes. Consultation responses are acted upon as appropriate but it is important to note that the Council is not bound to act only in accordance with consultation responses.

### Business Planning

The Council's finances and the economic outlook are significant factors in the Council determining its future development and performance plans. The work to formulate the budget will therefore feed into the wider business planning work culminating in the agreement of a Council Business Plan for 2017/18 by the Council in February. This will include a workforce plan focussing on the critical issues and proposed actions that will be taken to address the impact of budget proposals on the workforce.

The intention to provisionally set the budget in November reflects the desire for the Council to have certainty going into the local election period given the very significant financial challenges that the Council still faces.

The introduction of a four year MTFP has provided for a greater degree of stability which, though necessary changes have been made at the margins to reflect changing circumstance and forecasts, will result in less changes to the Business Plan objectives for 2017/18 than otherwise might have been the case. Clearly the new administration in May 2017 will then set about a process for determining strategy and priorities for the 2017/18 to 2020/21 period.

The value of a four year planning framework is significant given that it enables the Council to plan services for the longer term in line with the overall Council Strategy and available funding, thus ensuring that the decisions made in the early years are in line with the level of service required and affordable in the long term. It also means the Council qualifies for the Government's four year settlement funding offer, providing greater funding certainty.

### Housing Revenue Account (HRA)

Work is currently being undertaken on collaboration with tenants on the setting of the 2017/18 HRA budget. Parallel to this is a wider Housing Strategy review which will inform the longer term business plan and aspirations for the HRA as well as Housing services operated within the Councils general fund.

The HRA budget for 2017/18 will be presented to the Housing and Environment PAC in December, and then on to Cabinet in January 2017. This will include assumptions on changes coming out of the Housing and Planning bill for which guidance from HM Treasury is still awaited e.g. levy on high value properties.

### **3. Outcomes/outputs**

The approach to setting the budget for 2017/18 continues to reflect the significance of the financial challenge faced by the Council and the need for the public, partners and staff to understand this challenge and the associated requirement for service reductions and significant changes in service designs and delivery.

The approach also reflected that the Council will have a new administration in May 2017.

### Corporate Resources and Government Funding

The latest update on the Council's finances including assumptions around forecast corporate resources and Government funding was presented to the All Member Briefing on 7 October. That briefing detailed that the main source of Government funding, the Revenue Support Grant (RSG), will be cut by a further £22m, down to £43m in 2017/18.

The latest forecast position on corporate resources is detailed below.

|                                             | <b>Revised</b> |                |                |                |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                             | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|                                             | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| <b>Forecast Resources</b>                   |                |                |                |                |                |
| Council Tax                                 | 245.579        | 259.818        | 273.277        | 286.963        | 295.536        |
| Revenue Support Grant                       | 65.297         | 42.977         | 28.626         | 14.524         | 12.301         |
| Business Rates (inc. associated s31 grants) | 83.308         | 85.747         | 89.083         | 94.736         | 97.848         |
| Business Rates Top Up                       | 21.030         | 21.444         | 22.076         | 22.782         | 23.238         |
| Government Grants                           |                |                |                |                |                |
| Ringfenced                                  | 26.771         | 26.906         | 0.773          | 0.773          | 0.773          |
| Unringfenced                                | 45.604         | 44.363         | 71.322         | 78.606         | 78.570         |
| Collection Fund Surplus / (deficit)         | 7.031          | 10.800         | -              | -              | -              |
| <b>Total Forecast Resources</b>             | <b>494.620</b> | <b>492.055</b> | <b>485.157</b> | <b>498.384</b> | <b>508.266</b> |

### Government Funding

As part of the settlement in 2016/17, the Government issued a four year funding offer for the period 2016/17 – 2019/20. Whilst this provided a

degree of assurance, significantly it only relates to certain funding streams most notably Revenue Support Grant and Rural Services Delivery Grant.

On review of latest Government funding assumptions, it is considered prudent to reduce the overall funding available in 2017/18 by £1.600m including:

- A reduction of assumed New Homes Bonus of £2.100m; the Government, in December 2015, issued an open consultation considering reforms to the New Homes Bonus some of which, if implemented, could significantly reduce the level of funding in 2017/18. Disappointingly, at the time of writing, the Government is yet to respond to that consultation and, given the funding uncertainty this has caused, it is prudent to reduce the level of resources currently built into our MTFP.
- A reduction of other funding assumptions of £0.960m, mainly reflecting school funding reforms impacting on Education Support Grant.
- Additional rural services delivery grant in 2017/18 of £1.460m as announced as part of the settlement in 2016/17.

The above grants are not ring-fenced and, in accordance with policy, are retained centrally to support the Council's overall budget.

#### Council Tax and Business Rates

The Council, as the billing authority, is responsible for the collection of local taxes totalling in the region of £450m; comprising of Council Tax approximately £296m and Business Rates approximately £152m.

During every budget process an estimate is made of the overall Collection Fund balance at the end of the current financial year. Any surplus or loss arising from the Collection Fund affects the level of resource available to the Council in the following year.

There are a number of key factors which have to be assessed in estimating the level of local collectible taxes. These factors are often volatile and include:

- Growth (houses and businesses)
- Collection rates
- Reliefs and Discounts
- Valuation appeals

Small changes to Council Tax and Business Rate assumptions are financially significant and take time to filter through the system; changes made now in Autumn 2016 will not take effect until the 2017/18 financial year, and the outcomes of those changes will not be clearly known until the first quarter of the following financial year 2018/19 i.e. Summer 2018 - nearly 2 years after the changes were first made.

Therefore any inaccurate changes to assumptions now will not be able to be corrected until the setting of the 2019/20 budget. A worst case scenario would be that a change in assumptions that are stretched too far now would cause the collection fund to go into deficit and create additional financial pressure on the Council in the future as any deficit has to be corrected. This would then require further one-off service savings to be delivered to balance the shortfall.

Given this significant level of risk, the core assumptions relating to the Collection Fund are prudent as, for example, a variance of just 2% equates to around £10m.

The 2016/17 budget included a one-off amount of £7m from the Collection Fund to support the budget. The assumed level of growth was also increased to provide additional, ongoing, Council Tax revenue of £2m in 2016/17, increasing to £3m by 2018/19.

Based on latest estimates, it is considered that:

- i. The forecast collection fund balance, as at 31 March 2017, will provide for a further one-off amount of £10.8m.
- ii. The council tax base can be increased in 2017/18 by approximately 1.8% providing for additional ongoing resource of circa £1.379m next year, rising to £1.607m by 2019/20, and net of additional Social Care levy passporting requirements. Assumptions on future growth in Council Tax remain as previously set out in the MTFP, most notably that the number of band D equivalent properties in Cornwall will increase by circa 1.1% per annum and that Council Tax will be increased annually by 1.97% plus the additional 2% levy for spending on Adult Social Care.
- iii. The Business Rates assumptions should remain largely unchanged from the existing approved MTFP, with growth at circa 1.25% per annum and price increases in the multiplier set by Government at circa 2-3% p.a. in line with forecast RPI levels, moving to CPI in 2020/21.

Taken together, this means that for 2017/18 a one off net amount of £9.2m additional corporate resources, comprising the forecast collection fund surplus as at 31 March 2017 of £10.8m less other reductions in Government funding assumptions of £1.6m, is available to support the budget in 2017/18.

In addition on-going Council Tax revenue of £1.379m, rising to £1.607m by 2019/20, is available to offset some of the new corporate pressures arising over the period of the MTFP e.g. members allowances.

#### Changes Impacting on the MTFP

In preparation for the 2017/18 budget setting process, all directorates have undertaken a thorough review of the financial plans within the MTFP to ensure that budget assumptions remain true and that savings plans are deliverable.

Committing to holding to the financial plan, services had to assess the delivery risk for each saving proposal giving a picture of where the critical areas for the Council were and where focus had to be given, particularly in the need to ensure a balanced budget. Heads of Service, as part of the review, have been required to sign off all saving plans.

This review work has identified a number of areas where agreed savings are proposed to be re-profiled and / or replaced. The review has also identified additional spending pressures that need to be recognised over the period 2017/18 – 2019/20 and additional savings to cover these.

All proposed changes have been presented to and considered by each respective PAC and their feedback, alongside Cabinet's response, is available at Appendix 4.

In summary, the following is a schedule of all additional pressures that have now been brought forward and included within the latest revised MTFP:

|                                                                                                                            | 2017/18<br>(£m) | 2018/19<br>(£m) | 2019/20<br>(£m) | Total<br>(£m) |
|----------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|---------------|
| Additional staff pay costs (Contribution Related Pay, Living Wage, National Pay Award)                                     | 0.499           | 0.526           | 1.641           | 2.666         |
| Bus contract; Additional contractual pressure following retendering exercise                                               | 0.100           |                 |                 | 0.100         |
| Additional highways pressures as a result of growth in the network.                                                        | 0.160           |                 |                 | 0.160         |
| Temporary Accommodation management fee reduction due to legislative change                                                 | 0.140           |                 |                 | 0.140         |
| Strategic VCSE Partner; a requirement that has emerged as part of the Transformation Challenge Award Programme             | 0.200           |                 |                 | 0.200         |
| Members Allowance Increase; based on the recommendations of the Independent Remuneration Panel, Council 17 May 2016.       | 0.255           |                 |                 | 0.255         |
| Introduction of the national Apprenticeship Levy from April 2017 equivalent to c 0.5% on National Insurance contributions. | 0.638           |                 |                 | 0.638         |
| Environment Agency Levy @ 10% p.a. rise                                                                                    | 0.030           | 0.033           | 0.036           | 0.099         |
|                                                                                                                            | 2.022           | 0.559           | 1.677           | 4.258         |

The MTFP set in February detailed a total of £103m to be saved in the four years from 1 April 2016; progress has and is being made in delivering a proportion of those during the current financial year.

However, after allowing for the above additional pressures, the saving requirement has now increased to £107m of which £73m will be delivered over the period 2017/18 – 2019/20.

| Saving Requirement     | 2014/15      | 2015/16      | 2016/17      | 2017/18     | 2018/19 | 2019/20 |
|------------------------|--------------|--------------|--------------|-------------|---------|---------|
| MTFP 2014/15 - 2018/19 | £196 million |              |              |             |         |         |
| MTFP 2015/16 - 2018/19 |              | £154 million |              |             |         |         |
| MTFP 2016/17 - 2019/20 |              |              | £103 million |             |         |         |
| MTFP 2017/18 - 2020/21 |              |              |              | £73 million |         |         |

Appendix 2 provides a consolidated schedule of all proposed savings, including those that are proposed to remain unchanged. These will feed into the wider business planning culminating in the agreement of a Council Business Plan for 2017/18 by the Council in February.

Workforce plans for each service will be developed during the business planning process that will look at the impact saving proposals will have on our workforce as well as the requirements services need in its workforce to effectively deliver on Council priorities.

Based on latest estimates, budget proposals being put forward will impact on approximately 146 full time equivalent (FTE) posts in 2017/18, with an estimated 292 FTE positions being removed by 2019/20. The actual number of posts affected by proposals will become clearer as and when service reductions are implemented and these will follow the Council's policies and procedures.

It should be noted that posts are not a direct equivalent to the number of staff that will be affected, and reduction in posts will be achieved by services through a number of means other than redundancy e.g. removal of vacant roles, turnover. The breakdown of workforce implications for saving proposals by service is detailed below.

| Service                                         | 17/18<br>(fte) | 18/19<br>(fte) | 19/20<br>(fte) |
|-------------------------------------------------|----------------|----------------|----------------|
| Commissioning, Performance & Improvement        | -              | 7.0            | -              |
| Children's Early Help, Psychology & Social Care | 31.2           | 12.1           | 5.1            |
| Customers & Communities                         | 71.0           | 28.0           | -              |
| Public Protection                               | 4.0            | 4.7            | 3.8            |
| BPAD & PMDW                                     | 24.0           | 32.0           | -              |
| Cornwall Fire & Rescue & Community Safety       | 4.0            | 6.0            | -              |
| Governance & Information                        | 12.0           | 47.0           | -              |
| <b>TOTAL</b>                                    | <b>146.2</b>   | <b>136.8</b>   | <b>8.9</b>     |

The announcement of the Living Wage Foundation Living wage annual increase was made at the end of October. This was set at 2.4% which is within the 3% assumption that is built into the Council's MTFP.

Over the four year period of the MTFP the effect of these changes are neutral, however due to delays in savings delivery coming from re-

profiling one-off budget shortfalls for both the 2017/18 and 2018/19 years have resulted.

|                                  | <b>2016/17<br/>(£m)</b> | <b>2017/18<br/>(£m)</b> | <b>2018/19<br/>(£m)</b> | <b>2019/20<br/>(£m)</b> | <b>Total<br/>(£m)</b> |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Original approved MTFP savings   | 40.443                  | 37.241                  | 23.907                  | 1.642                   | 103.233               |
| New Pressures and Savings        | -                       | 2.022                   | 0.559                   | 1.677                   | 4.258                 |
| <b>Latest Saving Requirement</b> | <b>40.443</b>           | <b>39.263</b>           | <b>24.466</b>           | <b>3.319</b>            | <b>107.491</b>        |
| Proposed changes / re-profile    | (6.460)                 | (5.358)                 | 6.912                   | 4.906                   | -                     |
| <b>Revised Saving Plan</b>       | <b>33.983</b>           | <b>33.905</b>           | <b>31.378</b>           | <b>8.225</b>            | <b>107.491</b>        |
| Shortfall                        | 6.460                   | 5.358                   | (6.912)                 | (4.906)                 | -                     |
| <b>Budget Gap (cumulative)</b>   |                         | <b>11.818</b>           | <b>4.906</b>            | -                       |                       |

Delivery of £107m savings represents a significant challenge, especially given the level of savings already achieved since the introduction of Government austerity in 2011.

However, on review of the assessed delivery risk, it is considered that circa 80% of planned savings will be, or have a reasonable chance of being, delivered over the period of the MTFP.

Although far from without its risks, this is considered acceptable given the time over which those savings must be delivered and the level of corporate contingency and reserves held.

|                                  | <b>2016/17<br/>(£m)</b> | <b>2017/18<br/>(£m)</b> | <b>2018/19<br/>(£m)</b> | <b>2019/20<br/>(£m)</b> | <b>Total<br/>(£m)</b> |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| <u>Saving Plan Delivery Risk</u> |                         |                         |                         |                         |                       |
| - Red (High risk)                | 2.686                   | 1.570                   | 14.481                  | 4.858                   | 23.595                |
| - Amber (Medium risk)            | 3.022                   | 3.281                   | 3.770                   | 0.642                   | 10.715                |
| - Green (Low risk)               | 28.275                  | 29.054                  | 13.127                  | 2.725                   | 73.181                |
| <b>Total Saving Plan</b>         | <b>33.983</b>           | <b>33.905</b>           | <b>31.378</b>           | <b>8.225</b>            | <b>107.491</b>        |

Appendix 1 provides indicative service revenue budget totals for 2017/18 and for the period of the MTFP after allowing for each of the above changes. With effect from 1 November the Council has moved to four directorates following a review of its senior management, and to position the Council to be able to deliver for Cornwall. Therefore once the organisational design has been completed appendix 1 will be revised to reflect the new organisational structure of the Council.

Clearly this excludes the savings expected to be required in 2020/21 to offset inflation and demographic growth and any further reductions in Government funding that might occur that year. This reflects the uncertainties in relation to Central Government funding along with the detailed work that will need to be undertaken following the Council having a new administration in May 2017.

It is difficult to predict resource levels from 2020/21 onwards given the significant forthcoming Government funding reforms in moving to 100% Business Rate Retention and, aligned with that, a new 'needs assessment',

which has the potential to significantly redistribute resources across the country and makes forecasting uncertain and complex.

A prudent estimate of this, even with an assumption that Government Funding is not further reduced, suggests that additional savings for 2020/21 of around £15m are likely to be required.

#### Adult Care and Support budget 2017/18

This budget will increase from £123m in 2016/17 to £134m in 2017/18 a 9% increase (£11m net cash increase). As mentioned previously in this report a social care precept levy of 2% is proposed which will raise £5.176m to be spent solely on Adult Social Care. The Government has not specified how authorities responsible for adult care should spend the precept money apart from it should be spent in totality on Adult Social Care.

The increase in the budget consists of:

- £4.500m demographic growth
- £3.683m pay and contractual inflation
- £5.176m 2% social care precept
- (£3.000m) reduction in corporate contingency held to underwrite the Better Care Fund performance income shortfall
- £0.304m additional BCF allocation

The projected spending requirement for 2017/18 to meet all costs from demography and price inflation, including the living wage, the removal of underwriting the Better Care Fund performance income shortfall from contingency is £147.604m, this results in a revised savings target of £4.709m for 2017/18 (cumulative £13.806m including the adjusted 2016/17 savings target of 9.097m).

There are considerable risks around the Adult Social Care budget with the last reported financial monitoring (quarter 1) forecasting a gross £16m overspend and a net overspend of £10.568m after one-off financing measures. A management action plan has been put in place and there are early signs of improved financial performance which will be reported to Cabinet on 28 November as part of the quarter 2 monitoring, but considerable risk remains.

Significantly around £4.5m of this is attributable to savings associated with integration of the health care system. These savings are linked to the ongoing development of the Sustainability and Transformation Plan, which is not yet complete and therefore integration savings totalling £9m have been re-profiled back into 2018/19.

On 3 November the House of Commons Health Committee published its report on winter pressures in A&E departments. The report highlighted that the Government urgently needs to address the underfunding of Adult Social Care Services and the impact this is having on the NHS.

The report warns that a shortfall in social care provision will mean that people will continue to face avoidable admissions and delayed discharge from hospital.

In particular the report recommends that 'the Government should provide additional funding to increase adult social care capacity'.

The Council welcomes the report and looks forward to the Government delivering on the Committee's recommendations.

The full Health Committee report can be found at:

[http://www.publications.parliament.uk/pa/cm201617/cmselect/cmhealth/277/277.pdf?utm\\_source=277&utm\\_campaign=modulereports&utm\\_medium=module](http://www.publications.parliament.uk/pa/cm201617/cmselect/cmhealth/277/277.pdf?utm_source=277&utm_campaign=modulereports&utm_medium=module)

### Transport Budget 2017/18

Cabinet's proposals for the 2017/18 budget include two amendments to current income targets within the car parking service. The first is the income target to be delivered through the Town Parking Review and the second is the annual increase for income generated by the car parking service.

These proposals will see income targets for all car parking income reduced to a more realistic and achievable future level. Previous increases had been set at Retail Prices Index (RPI) + 1% and this policy still holds. However at the time of the original four year MTFP this was built in at around 4.5%, but with RPI now at a level of 1.8% this has been reset at 2.8% within the MTFP.

In addition the £1m target that was set to be achieved from the Town Parking review has now been reduced and re-profiled to £0.375m over the period of the MTFP.

A change to the way the residents permit scheme is funded has also been put forward. This will see revenue that is raised from the second permit being used to adhere to the full cost recovery principle previously agreed, thereby enabling consultation on resident parking permit at £50, with a second permit of £75.

The reduction and re-profiling in revenue income targets is being facilitated by the removal of the Transport Investment Supporting Regeneration project. The elements of this project are already being delivered through existing projects that are being funded through external sources, therefore the Council's commitment to borrow for this scheme is no longer needed.

In addition the identified allocation of capital investment required for the town parking review, including the amount for residents parking being funded in accordance with full cost recovery, will be added to the programme. The net changes will bring about revenue savings of circa £1m that will support the changes in targets for car park service income.

### Proposals to meet the shortfall in 2017/18

It is proposed that the current budget shortfall arising in 2017/18 of £11.818m is addressed through a combination of:

- Additional net one off corporate resource arising in 2017/18 of £9.2m, as outlined above
- Utilisation of the underspend from 2015/16. Strong financial management throughout the year provided for a net underspend in 2015/16 of £2.618m and, as agreed by Cabinet at its meeting in July 2016, this has been held over in reserves and will be used to support the budget in 2017/18

This is summarised below:

|                                                  | <u>£m</u>     |
|--------------------------------------------------|---------------|
| - Additional One Off Corporate Resources 2017/18 | 9.200         |
| - Underspend 2015/16 held over in reserve        | 2.618         |
|                                                  | <u>11.818</u> |

Each of the above represents a one off adjustment only and does not affect the existing MTFP assumptions beyond 2017/18.

In accordance with current budget protocols, services impacted by the re-profiling of savings will be expected to repay the one off corporate resources being utilised to facilitate the re-profiling totalling £11.818m:

|                                      | <u>£m</u>     |
|--------------------------------------|---------------|
| - Adult Care and Support             | 9.939         |
| - Governance and Information         | 1.462         |
| - Planning and Enterprise            | 0.267         |
| - Commissioning and Asset Management | 0.150         |
|                                      | <u>11.818</u> |

Although the budget remains balanced overall, there remains a one off shortfall of £4.906m in 2018/19 that will need to be addressed as part of next year's budget process once the new administration is in place.

The Council's external auditors, Grant Thornton, as part of their annual 'Value For Money' judgement, recognised the significant progress the Council has made in identifying and delivering savings. However, the report also recognised that, in places, savings are delayed or have not been delivered as planned and, whilst temporary mitigations may have been identified, that this is unsustainable and is a risk to service delivery.

The revised Medium Term Financial Plan is summarised below and shows the proposed base budget 2017/18 as £492.055m:

|                                                                              | 2016/17<br>£m  | 2017/18<br>£m  | 2018/19<br>£m  | 2019/20<br>£m  | 2020/21<br>£m  |
|------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Service budget b/f                                                           | 499.576        | 498.538        | 499.623        | 495.791        | 499.278        |
| Pressures/growth:                                                            |                |                |                |                |                |
| - Already included within existing MTFP                                      | 39.405         | 25.075         | 26.868         | 9.855          |                |
| - Additional pressures now recognised                                        |                | 2.022          | 0.559          | 1.677          |                |
| - Social Care Levy: Additional passporting for spending on Adult Social Care |                | 0.054          | 0.033          | 0.038          |                |
| - Non delivery of savings 2016/17                                            | (6.460)        | 6.460          |                |                |                |
| Revised service saving plan:                                                 | (33.983)       | (32.526)       | (31.292)       | (8.083)        |                |
| <b>Service Budget Requirement</b>                                            | <b>498.538</b> | <b>499.623</b> | <b>495.791</b> | <b>499.278</b> | <b>499.278</b> |
| General Fund Reserve (draw)/contribution                                     | (5.418)        | (0.450)        | (5.728)        | (0.894)        |                |
| Corporate BER (draw)/contribution                                            | 1.500          | (7.118)        |                |                |                |
| (Savings to be identified) / Resources yet to be allocated                   |                |                | (4.906)        |                | 8.988          |
| <b>Total Net Budget Requirement</b>                                          | <b>494.620</b> | <b>492.055</b> | <b>485.157</b> | <b>498.384</b> | <b>508.266</b> |
| Resources Available:                                                         |                |                |                |                |                |
| - Council Tax                                                                | 245.579        | 259.818        | 273.277        | 286.963        | 295.536        |
| - Business Rates (retained)                                                  | 75.960         | 77.771         | 80.763         | 86.103         | 89.007         |
| - Government Grants                                                          | 166.050        | 143.666        | 131.117        | 125.318        | 123.723        |
| - Collection Fund Surplus                                                    | 7.031          | 10.800         |                |                |                |
| <b>Total Resources</b>                                                       | <b>494.620</b> | <b>492.055</b> | <b>485.157</b> | <b>498.384</b> | <b>508.266</b> |

#### Use of General Fund Reserves and Other Corporate Resource

The budget proposals as outlined do not require any additional further draw on the Council's General Fund reserves beyond those already assumed within the existing approved MTFP; however they do draw on available one off resources to allow for re-profiling of saving proposals.

Over the next four years the Council will use a significant level of corporate resources and general fund reserves to smooth the delivery of its financial plans. For the period 2016/17 to 2019/20 the overall use of general fund reserves and corporate resource is forecast to exceed £43m:

|                                 | 2016/17<br>£m   | 2017/18<br>£m   | 2018/19<br>£m  | 2019/20<br>£m  | Total<br>£m     |
|---------------------------------|-----------------|-----------------|----------------|----------------|-----------------|
| <u>Use of Reserves</u>          |                 |                 |                |                |                 |
| General Fund Reserve            | (5.418)         | (0.450)         | (5.728)        | (0.894)        | (12.490)        |
| Corporate BER                   | (2.559)         | (7.995)         |                |                | (10.554)        |
| Directorate BERs                | (3.917)         | (0.431)         |                |                | (4.348)         |
| <b>Sub Total</b>                | <b>(11.894)</b> | <b>(8.876)</b>  | <b>(5.728)</b> | <b>(0.894)</b> | <b>(27.392)</b> |
| Use of Other Corporate Resource | (7.031)         | (9.200)         |                |                | (16.231)        |
| <b>Total</b>                    | <b>(18.925)</b> | <b>(18.076)</b> | <b>(5.728)</b> | <b>(0.894)</b> | <b>(43.623)</b> |

As agreed in the existing MTFP £12m of the general fund reserve is being used to smooth the timing and delivery of savings plans, thereby protecting the impact on front line services. This will see the balance on the general fund reserve reduce to £21m by the end of 2019/20 from its current level of £33m, a reduction of circa 36%.

The Corporate Business Equalisation Reserve (BER) is effectively the identified sums from the collection fund surplus and underspend being utilised to support the budget.

Directorate BERs are held to deal with variances and pressures arising in year and can be used to deal with future one off pressures. Each directorate can hold up to £2m and the current balance as at the start of this financial year is £5.9m. In year pressures within services are being offset by the utilisation of BERs and this will reduce balances down to c.£1.6m by end of 2017/18.

Going forward it is proposed that the remaining balance on Directorate BERs at the end of the financial year is absorbed into the Corporate BER. This will better reflect the revised operating structure within the Council and provide greater capacity and flexibility to manage the Council's overall risk and demand. This is explained further in the Council's reserves statement, available at Appendix 5.

#### **4. Options available and consideration of risk**

Local Authorities are required to have regard to the level of reserves needed for meeting estimated future expenditure and to ensure the Council has a sound financial position and is able to meet ongoing and future requirements.

There is a statutory duty on the Section 151 Officer to report to the authority at the time the budget is considered and the Council Tax set on the robustness of the budget estimates and the adequacy of financial reserves.

#### **S151 Officer Review**

It is the opinion of the Section 151 Officer that the budget strategy of setting a four year MTFP is a sound and robust approach and has, and will continue to, provide time and capacity for the Council to proactively plan for the significant financial challenge ahead. It aligns the Council's budget to the actions set out in the Corporate Business Plan and objectives of the Council Strategy.

This budget continues with a higher level of risk than has been accepted in previous years by the Section 151 Officer and the Cabinet. This reflects the current financial environment and would otherwise require further and more restrictive cuts to front line services.

Last year the Government made a four year settlement offer to Local Government; Cornwall Council has accepted that offer and therefore there is greater funding certainty over the next four years. However, it should be noted that the offer does not cover all grants received from government, it does not provide for any additional resources, and representations continue to be made for a fairer funding package for Cornwall.

However, funding certainty is only one risk and the following paragraphs set out other risks facing the Council which may have a detrimental financial affect over the four year period.

The recommended budget provides for a balanced budget, but there is significant use of corporate reserves and one off monies to balance the overall budget. Levels of contingency are significantly reduced from £9m in 2016/17 to £3m in 2020/21.

Whilst the Section 151 Officer is currently comfortable with this position, it is at the limit of prudence and there may be a need to increase the level of contingency or corporate reserves if risks start to materialise over the next four years. This may necessitate further service reductions and savings being required.

To emphasise the point on prudence, although the Council has a balanced budget over the Medium Term Plan, there is a one off shortfall in 2018/19 of £4.9m that will need immediate recourse by the next administration.

In addition, as well as potential risks materialising, the Cabinet and Council need to keep a careful eye on savings delivery as contained within the budget is significant re-profiling of previously agreed savings and non-achievement of budget proposals. As well as this position the Council has in recent years, whilst balancing its bottom line budget, failed to deliver the savings during the year as planned. As previously explained this has been raised by the External Auditor in their value for money judgement and this position cannot be allowed to continue, as not only will it put the Council at further financial detriment and challenge it will have an adverse impact on its value for money assessment.

Not only does this issue not deliver ongoing savings as planned, but it is also not transparent as planned policy and service delivery changes consulted upon and agreed with the Public and at full Council are not enacted and alternative proposals put in place or, worse, one off reductions are implemented.

When considering risk the Section 151 Officer has to have regard to the overall level and balance of reserves and contingency. Appendix 5 details the risk and suggested level of reserve balance the Council should be holding, which is around the £48m level. Currently when considering all reserves and contingency available the level of coverage in 2017/18 will be around £34m. In light of the changes to the Council structure in moving from three to four directorates, and with the increasing risk associated with the budget, in particular within the Adult Social Care

budget, from April 2017 the three existing balances on Directorate BERs will be moved into the Corporate BER. This will mean that together with contingency, these one off balances will be held at a Council wide level to deal with significant risks and demands that fall upon services.

The Section 151 Officer's specific concerns relating to the budget proposals, risks and level of reserves are that:

- Adult Social Care – the S151 Officer, supported by the Portfolio Holder, believes that the Adults Budget is the biggest risk contained within the budget. Although additional funding has been made available through the Social Care Levy and the budget is growing by £11m next year, there are still significant savings to be delivered to stay within this budget envelope.
- The Adult Social Care service budget is currently overspending and whilst the deficit is reducing it is unlikely to be fully balanced by the year end (March 2017). A significant proportion of the savings contained within the Adult Social Care budget (totalling £13.5m – see appendix 7) are linked to the STP (Sustainable Transformation Plan) and these require savings through major reform of the Health and Social Care System within Cornwall. At the time of writing this report, none of the savings identified through the STP are counted against Adult Social Care and therefore these savings currently have no robust delivery plans against them. This cannot continue and should savings not be identified soon, and at the latest through the next stage of the STP process in January 2017, then the Adult Social Care Service will have to find alternative savings. If this fails, a major overhaul of the whole Council's budget will be required to be undertaken by the new Cabinet in May 2017.
- Development of alternative plans will require capacity and assistance from support services and therefore the current resources targeted at the STP will need to be withdrawn in order to facilitate this.
- The Adult Social Care Service will bring a report to the January Cabinet meeting which will set out the priorities for Adult Social Care in the future underpinned by a five year plan to achieve a sustainable service linked to the resources set out in the MTFP. This report will identify alternative savings should the STP process fail to deliver savings attributable to Adult Social Care.
- Some supported living contracts, providing low level housing related support in the Adult Social Care area, are currently funded from the Public Health Grant which is being significantly cut by Government; this may have further consequence on demand for services as preventative services reduce and therefore impact the service's budget further.
- Sustainability – There are still significant levels of savings and/or additional income generation required some of which are recognised

as high risk in terms of delivery by Service Directors and these may yet prove undeliverable, at least in part.

- The cumulative impact of those savings, on top of budget reductions that have already been delivered in response to austerity measures certainly have a significant impact on service delivery requiring cultural change across the authority and new ways of working; this will also require significant investment in our digital and IT infrastructure.
- Devolution – significant savings are identified to come from devolution to community groups or town and parish councils e.g. library and information services. The Council continues to work with Town and Parish Councils to maximise all potential opportunities but these negotiations, to date, have taken significant time to bring to conclusion despite best efforts of all parties due to the complexity and often unique nature of each deal. This means there may be further delay of savings into future years in this area.
- Furthermore the Devolution savings may be further put at risk due to the latest Technical Consultation from Government which has indicated it is considering extending existing referendum principles to larger Town and Parish Councils. It is not known at this time if this will be supported but, if followed through, there is a risk that this will limit the resource available to Town and Parish Councils in the future and may reduce their appetite for devolution.
- Economy – Going forward, the Council will be increasingly dependent on Business Rate income. This is notoriously volatile and the Council now faces a greater risk that changes within the national, and local, economic position will impact significantly on the level of resource available for delivering vital services. That level of uncertainty has increased further after the outcome of the EU referendum vote. It is also has the potential to grow if we get investments right in economic regeneration projects within Cornwall and as the Local Strategic Plan is implemented.
- Local Government funding and reform – the Government has indicated that, by the end of this Parliament, Local Government will retain 100% of local Business Rates. These reforms will coincide with a revised 'Needs Review' which will redistribute resource across the country and has the potential to significantly affect the Council's level of resources. This may also see new burdens placed upon Cornwall which may result in future increasing demand and cost. The Government is currently consulting on proposed reforms and the impact remains uncertain at this time.
- Political risk - within the budget proposals there are a number of service reduction proposals and radical service redesigns. In May 2017 there will be a new administration and there is a risk that, as detailed action plans are worked up, then implementation is delayed or

stopped due to Member concerns. Should this occur the new Cabinet will need to bring forward alternative savings plans.

- Judicial review - throughout the country other Councils have experienced judicial review when significantly altering service delivery within their areas. There is a possibility that this may occur within Cornwall given the scale of change.
- Levels of Income – in some areas, such as Planning and Public Protection, there are significant and stretching income targets included within the budget; these may not be achieved and staffing reductions will need to be implemented if these do not materialise as planned.
- Emergency Spending – in previous years the level of reserves and contingency have been sufficient to cover costs of severe weather such as storms or other costs of a one off nature; however in later years of this budget the contingency has been reduced to a level that this may no longer be possible.

Building on the delivery risk assessment as outlined above, and overlaying that against the type of saving measure proposed, the following framework provides a representation of how savings will impact and their associated level of perceived risk.

| Saving Category   | Delivery Risk |               |               | Total<br>£m    |
|-------------------|---------------|---------------|---------------|----------------|
|                   | High<br>£m    | Medium<br>£m  | Low<br>£m     |                |
| Employees         | 3.629         | 2.330         | 15.242        | <b>21.201</b>  |
| Property          | 0.145         | 0.358         | 1.523         | <b>2.026</b>   |
| Income Generation | 2.398         | 1.655         | 8.693         | <b>12.746</b>  |
| Service Delivery  | 17.423        | 6.372         | 30.780        | <b>54.575</b>  |
| Corporate Other   | -             | -             | 16.943        | <b>16.943</b>  |
|                   | <b>23.595</b> | <b>10.715</b> | <b>73.181</b> | <b>107.491</b> |

Savings will be delivered through a combination of measures including employee reductions, income generation and, most significantly, changes to existing service delivery for nearly £55m; over half of the total saving plan. However, this also represents the highest risk of non-delivery, with over £17m identified as being high risk of which the majority relates to Health Integration savings currently planned to be delivered through the STP.

The above also shows nearly £17m will be delivered through other corporate savings; this includes planned reductions in the corporate contingency and reduced capital financing charges and is considered only a low risk of non-delivery.

Going forward this analysis will be enhanced to better inform the Council's financial planning arrangements.

As always there must be a very strong focus on active budget management across all service areas and immediate management action

taken to balance any overspending areas in order to maintain financial control in these very challenging times.

## **5. Proposed Way Forward**

It is critical to the long term success and health of the Council that it puts in place an MTFP that reflects the financial position faced in each of the ensuing years and indeed is a requirement under the External Auditors' Value for Money Assessment.

Within this, it is important that the objectives and strategy are not unduly optimistic or unduly cautious, the former resulting in additional actions having to be taken to address under-performance and overspends, the latter resulting in under-utilised budgets and sub-optimal performance.

The development of the Corporate Budget 2017/18 and MTFP 2017/18 to 2020/21 is designed to meet the requirements of the Council such that it is able to proceed with both clarity and confidence.

### Capital Programme

The recommended capital programme, as detailed in appendix 3, estimates that £716m will be spent over the next four years, with a forecast total spend of £233m in 2017/18. [Updated following Cabinet 9<sup>th</sup> November]

The main areas of investment in transport, housing and the economy will help people, improve places and deliver prosperity for Cornwall.

Through the Council's Investment and Commercial Board, the capital programme is updated continually throughout the year for new projects as and when they are brought forward for consideration. As such the capital programme is not subject to the same 'annual budget setting' requirement that is required for the Council's revenue budget.

Schemes are assessed against the approved capital investment plan prioritising projects that:

- deliver revenue savings
- promote economic development and regeneration
- provide for backlog maintenance
- recognise devolution and localism objectives

If supported, projects are then recommended to Cabinet, as part of the quarterly Integrated Performance Monitoring (IPM) report, for inclusion within the capital programme. Cabinet, in turn, formally recommends to Full Council the approval of such schemes in order for their inclusion on the capital programme.

As part of the budget setting process, a high level review of the existing programme and has been undertaken and the following changes are now proposed:

- Removal of the £22.4m Transport Investment Supporting Regeneration scheme, which includes Council allocated funding, through prudential borrowing, of £12.2m.
- £1.7m to support the capital investment required for car parking infrastructure, to be funded from borrowing.
- A further £1.9m will be added to the programme for residents parking and funded in accordance with the established full cost recovery principle.

The ongoing revenue saving of circa £1m by reduced prudential borrowing as a result of this change to the capital programme will be used to support the budget.

- An addition in respect of transformation projects within the Day Centre service area of Adult Care & Support (£0.165m). This will be funded from the balance of a ring-fenced capital receipt, utilising the new flexibilities that have been given to Local Authorities to support the revenue costs of reform projects that 'generate ongoing savings to an authority's net service expenditure'.

Current policy is that, subject to the Council's overall financial position, underspends from the capital financing budget are allocated to a specific earmarked reserve to be used for EU match funding. This revenue funding allows flexibility to fund schemes in the future, regardless of being capital or revenue in nature. This policy will apply to any underspends over the four year period.

The revised capital programme, as proposed, is available at Appendix 3 to this report.

#### Future of Business Rate Retention

The Local Government Settlement 2016/17 confirmed the Government's intention that by the end of this Parliament, local authorities will retain 100% of business rates generated in their area.

The Government consultation on 100% retention of business rates closed on 26 September, together with its call for evidence on fairer funding. At this stage, there is still a significant lack of detail on how this will operate in future.

The Government has confirmed that the move to 100% Business Rate Retention will be fiscally neutral at the point of transfer and in future years. This implies that:

- i. on implementation, local government will retain 100% of local business rates but will also see a corresponding reduction in other

- government grants and/or additional new burdens to ensure that, overall, reforms are fiscally neutral.
- ii. for new burdens transferring to local government as part of these reforms, future cost increases must be afforded from rises in business rate revenue.

To help the Government work up the necessary reforms, it has established a Business Rate Retention steering group to advise on the mechanisms that are required to set up and run the 100% business rate retention system including the timing and implementation of those changes.

Cornwall Council, on the back of its ratified devolution deal, approached the Government earlier in the year about developing a pilot scheme in Cornwall and, in a letter dated 21 June from the Secretary of State for Communities and Local Government, the Government confirmed its willingness to work with the Council to progress a potential pilot for Cornwall. The principles of an agreement with Government on a pilot were agreed by Council at its meeting 6 October 2016.

The current uncertainty regarding the development and implementation of a revised national scheme remains a significant risk; however, by becoming a pilot, Cornwall will have a greater opportunity to input and influence Government on local outcomes at the national level.

The current MTFP has not reflected any modelling or assumptions around a pilot of 100% retention or indeed the move to the national scheme, anticipated by 2020, due to the intention of these proposals being fiscally neutral.

#### Business Planning 2017/18 - 2020/21

The agreement of revised savings proposals will clearly impact on the agreed Corporate Business Plan and the Council's workforce plans. It is intended that these impacts and their implications, together with other significant developments that the Council needs to respond to, will be presented to Members in January 2017 as part of the proposed Business Plan for 2017/18.

The briefing will also include the latest information available on the outcomes of the Local Government Finance Settlement and associated funding risks and plans for managing these.

This will enable the changes and impacts to be considered ahead of the Business Plan and supporting information being presented to Council in February 2017.

#### Corporate Budget Impact Assessment

As with last year's process, a Corporate Budget Impact Assessment has been undertaken on the savings that have a direct impact on service users. This enables the impact on specific customer groups and household types in Cornwall both pre and post mitigation, to be understood.

This cumulative impact information was considered by the Reputation and Performance PAC at its meeting on 28 October and, together with feedback from PAC consultation and public engagement exercises, has been used by the Cabinet in the finalisation of its budget recommendations to Council.

The Corporate Budget Impact Assessment also identifies the individual savings that have a material detrimental impact on groups or individuals that will require the completion of a formal Comprehensive Impact Assessment by the relevant service. These assessments will be available for consideration as required alongside detailed implementation plans.

The Corporate Budget Impact Assessment is available at Appendix 6.

## 6. Implications

| Implications         | Details and proposed measures to address                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legal/<br>Governance | <p>The Council needs to be mindful of the requirement to set a balanced budget (i.e. it cannot set a negative budget) and that it has a fiduciary duty to tax payers. There are potential legal implications in terms of some of the recommended budget proposals and the process of consultation for the actions required to implement the savings will need to be considered. The Council has statutory duties and deadlines with which it must comply in relation to the setting of council tax and the budget and these cannot be avoided.</p> <p>Consideration also needs to be given to the absolute requirement to provide mandatory services and the choice the Council has in relation to the provision of discretionary services. However, mandatory services must be provided to an acceptable standard and if the Council chooses to provide discretionary services they also need to be provided to an acceptable standard.</p> |
| Financial            | <p>The budget proposals outlined in this report set out the Cabinet's provisional budget proposals for years 2017/18 to 2020/21 and build on and update the existing approved Medium Term Financial Plan to reflect latest funding assumptions and necessary changes to saving plans on review. The financial implications of the proposals are set out within the report and should be considered alongside existing information distributed within the approved MTFP.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Risk                 | <p>Given the current financial position and outlook there is clearly significant financial risk that needs to be taken in account in setting the budget. This is reflected in the extensive process being followed, including the assessment of budget reduction impacts and risks.</p> <p>The Section 151 Officer has to provide a statement to the Council on the robustness of the budget, the level of risks</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|                                              |                                                                                                                                                                                                                                                                                     |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                              | and the appropriateness of the level of contingency and reserves given the level of risk faced.                                                                                                                                                                                     |
| Comprehensive Impact Assessment Implications |                                                                                                                                                                                                                                                                                     |
| Equality and Diversity                       | There are no equality and diversity implications arising directly from this report. Any material implications arising as a result of individual budget savings will be addressed through the completion of a comprehensive impact assessment by the relevant service.               |
| Safeguarding                                 | There are no safeguarding implications arising directly from this report. Any material implications Cornwall Council arising as a result of individual budget savings will be addressed through the completion of a comprehensive impact assessment by the relevant service.        |
| Information Management                       | There are no information management implications arising directly from this report. Any material implications arising as a result of individual budget savings will be addressed through the completion of a comprehensive impact assessment by the relevant service.               |
| Community Safety, Crime and Disorder         | There are no community safety, crime and disorder implications arising directly from this report. Any material implications arising as a result of individual budget savings will be addressed through the completion of a comprehensive impact assessment by the relevant service. |
| Health, Safety and Wellbeing                 | There are no health, safety and wellbeing implications arising directly from this report. Any material implications arising as a result of individual budget savings will be addressed through the completion of a comprehensive impact assessment by the relevant service.         |
| Other implications                           | Any other material implications arising from the savings proposals will be addressed through the completion of the comprehensive impact assessments by the relevant service.                                                                                                        |

### **Supporting Information**

#### **Appendices:**

Appendix 1 – 2017/18 Service Revenue Budgets and Medium Term Financial Targets

Appendix 2 – Detailed saving proposals 2017/18 -2019/20

Appendix 3 – Capital Programme revisions (updated following Cabinet 9<sup>th</sup> November)

Appendix 4 – Cabinet Response to Policy Advisory Committee Engagement

Appendix 5 – Reserves Statement

## Appendix 6 – Corporate Budget Impact Assessment

## Appendix 7 – Extract from Sustainable Transformation Plan (additional appendix)

### **Background Papers:**

None

### **Approval and clearance of report**

| <b>Final report sign offs</b>              | <b>This report has been cleared by OR not significant/not required</b> | <b>Date</b> |
|--------------------------------------------|------------------------------------------------------------------------|-------------|
| Legal<br>(if significant/required)         | Matt Stokes                                                            | 3/11/16     |
| Finance<br>Required for <b>all</b> reports | Andy Brown                                                             | 4 Nov 2016  |
| Equality and Diversity                     | n/a                                                                    |             |

| <b>Final report sign offs</b> | <b>This report has been cleared by</b> | <b>Date</b> |
|-------------------------------|----------------------------------------|-------------|
| Head of Service               | Andy Brown                             | 4 Nov 2016  |
| Corporate Director            | Cath Robinson                          | 04/11/16    |