



Council Business & Financial Plans 2024-2028 and Budget 2024/25

Customer & Support Service Overview & Scrutiny Committee

23 January 2024

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Financial Context

Local Authorities continue to face a significant financial challenge. The 2 main drivers continue to be:

- The **economy** through above inflation contract costs & higher than anticipated pay settlements
- Increased **demand** for services (as a result of wider financial / economic impact) such as temporary accommodation and numbers of children in care

Cornwall Council Position

- The challenge is not unique to Cornwall.
- Cornwall does have sufficient resilience – strong track record of prudent financial management and robust financial planning processes.
- Cornwall, at this stage, is not in danger of issuing S114 notice, however, the financial challenges facing the Council in 2024/25 and beyond are immense based on current forecasts.
- The Local Government Association in its response to the Provisional Financial Settlement has said *“No Council is now immune to the growing risk to their financial sustainability.”*

Draft budget – September 2023

- Was based on the published 2023/24 Q1 position of **£7.946m** forecast overspend (and the known M4 position £7.427m forecast overspend).
- Main drivers of the overspend were Home to School Transport and Housing.
- The strategy was to fund the amount required for these areas through reserves for 2024/25
- Budget also included some other assumptions:
 - Pay inflation 2024/25 4.5% **£20m**
 - Contractual inflation average 6.5% **£32m**
 - Demand growth **£26m**
 - Policy decisions **£3m**
- Savings included for 2024/25 totalling **£28.462m**
 - **£18.658m** already included in the approved MTFP
 - **£10.804m** newly identified
- Council tax increase of 4.99% (2.99% core and 2% ASC precept)

Changes since Draft Budget

- Q2 position was **£14.9m** forecast overspend and by M7 it had increased to £16m. Main drivers (where overspends are recurrent):
 - Home to School Transport £7.4m
 - Housing £8m
 - Housing Benefits £3.9m
 - Children in Care £5.9m

Other adjustments to draft budget needed:

- Provisional local government settlement was c£2m less than forecast, significant reduction in the Services Grant
- FLW uplift of a further £2.4m as final FLW rate for 2024/25 set at £12 per hour
- Reduction to pay inflation of £3m (reduced from 4.5% to 3%)
- Collection Fund 2023/24 surplus £6m, mainly from reductions to appeals and bad debt provision on Business Rates
- Council tax base adjustment reduced from 1.25% to 1% reflecting movement over the last 12 months (reducing C/Tax forecast by c£1.2m)
- Reversal of savings - £1m renewable energy saving is the only KLOE that has not been brought forward to the final budget, so overall 24/25 savings are now c£29m

Resulting in the need for £20m of reserves being needed to balance the budget in 2024/25

2024/25 Services Grant

It was announced in the 2024/25 Provisional Local Government Finance Settlement that the Services Grant would be cut (nationally) from £483m to just £77m – a reduction of 84%. The level of this cut was unexpected amongst the Local Government Sector.

For Cornwall this means that our allocation has gone from £4.535m in 2023/24 to just £0.714m in 2024/25 – a reduction of £3.821m. We were anticipating a cut of around £0.830m to fund additional Social Care funding (from the £80m listed below), so the net impact on our draft budget assumptions is a reduction of c£3m.

The Government has not been explicit as to what the £406m cut has been used for but the Society of County Treasurers sent an e-mail on 19th December with this update:

Update on services grant

Of the £406m reduction to the Services Grant:

<i>£123m</i>	<i>RSG uplift (including those with increased Business Rates arrangements),</i>
<i>£63m</i>	<i>Increase in the Funding Guarantee</i>
<i>£80m</i>	<i>Equalising Social Care Grants</i>

*Which leaves **£140m still to be traced**. DLUHC have confirmed that, apart from the small contingency they are holding, the rest of the funding has gone to other local government grants **outside of the settlement**. We have asked for a full breakdown, but they are not providing that information.*

Growth 2024/25

The Council's net revenue budget for 2024/25 is now **c£763m**, which is **£55m** greater than 2023/24. Significant growth of c£51m to reflect inflationary pressures, c£59m of other growth relating to service demand pressures and investment decisions including:

- £18m - increased demand in **adult social care services**
- £10m - increased demand in **children's social care services**
- £10m - relating to Temporary and Emergency **Housing accommodation**
- £8m - ongoing demand pressures on **home to school transport**
- £0.6m investment - **Cornwall Fire and Rescue Service Critical Control Centre.**

£20m more than in the draft report

Financial Strategy

- Our Financial Strategy has not changed from the draft budget proposals.
- As part of that strategy, to use Council reserves to balance the budget for Home to School Transport and Housing Services as their Demand Management Strategies (DMS) were developed, so that a planned approach to identifying opportunities for savings delivery were developed and delivered.
- Reserves are one-off in nature, in order to ensure our budgets are back on a sound recurrent basis we will need to ensure that by 1 April 2025 our service costs are contained within our resources envelope.

Feedback from Overview & Scrutiny Committees

Summary: *all committees raised the use of reserves and the future financial sustainability of the council. Home to school transport was also a recurring topic.*

- ***Economic Growth and Development OSC (9 January):*** Issues raised included invest to save options, home to school transport, car parks and use of reserves. Members agreed the recommendations as set out in the report.
- ***Health and Adult Social Care OSC (10 January):*** After some debate (with some Members unable to “approve” the budget given the reliance on reserves and the uncertain future funding), they agreed the recommendations as set out in the report and voted to add a third, noting the concerns expressed and requests that Cabinet work toward fairer funding for Cornwall to a sustainable level.
- ***Children and Families OSC (17 January):*** The discussion at CFOSC included questions on plans to mitigate increasing costs, the use of reserves and home to school transport. Members agreed the recommendations as set out in the report and added that the Committee recognises the considerable hard work carried out by officers for the care and support Cornwall’s children, young people and families in challenging times.
- ***Neighbourhoods OSC (18 January):*** The use of reserves, long term funding and home to school transport were amongst the topics discussed. The budget proposals were not recommended for approval but "note[d] with concern".



Customer & Support Services Directorate update

2024/25 Indicative Net Revenue budget

	Customer & Support Services					Corporate Items
	Assets, Capital & Commerical Services	Finance & Assurance	Innovation & Digital	Customer & Business Operations	Directorate wide*	Corporate Items
	£m	£m	£m	£m	£m	£m
	72.033					51.628
2023/24 Net Revenue Budget by Outcome	24.977	13.001	21.232	12.823		
Pay inflation (reduced from 4.5% to 3%)	0.422	0.840	1.102	0.763	-	-
Contractual inflation	0.533	0.246	0.504	0.033	-	0.083
Other growth (per draft budget September 2023)	-	0.012	-	0.450	-	2.311
Additional growth (January 2024)	-	0.472	-	-	-	4.208
Total Growth	0.955	1.570	1.606	1.246	-	6.602
Existing MTFP savings	(0.660)	-	(0.060)	-	-	(0.182)
New saving proposals	(0.271)	(0.042)	(0.204)	(0.046)	(0.250)	(0.350)
Total Savings	(0.931)	(0.042)	(0.264)	(0.046)	(0.250)	(0.532)
Total Net investment / (Reduction)	0.024	1.528	1.342	1.200	(0.250)	6.070
Virements for 2024/25 previously approved	(0.042)	0.006	0.009	0.008	-	2.514
Indicative 2024/25 Net Revenue Budget	24.959	14.535	22.583	14.031	(0.250)	60.212
	75.858					60.212

The draft net revenue budget for Customer & Support Services has increased from £72.033m to £75.858m (an increase of £3.825m / 5%)

Specific Growth

Total specific growth £7.453m plus £4.526m for pay and contractual inflation

Growth Item	Service	Customer & Support Service £m	Corporate Items £m
Existing for 2024-25			
Members Allowances	Finance & Assurance	0.012	
Group of Companies Dividend	Corporate Items		0.513
Pension Contributions	Corporate Items		0.860
Increased Capital Financing Costs	Corporate Items		0.938
Total		0.012	2.311
New for 2024-25			
Council Tax Exceptional Relief	Customer & Business Operations	0.100	
Court Fees	Customer & Business Operations	0.350	
External Audit Fees	Finance & Assurance	0.400	
Members Allowances	Finance & Assurance	0.072	
HRA Repayment	Corporate Items		1.208
Housing Benefit	Corporate Items		3.000
Total		0.922	4.208
Total Growth		0.934	6.519

OSC Savings 2024/25

Key Lines of Enquiry	Service	Customer & Support Service £m	Corporate Items £m
Existing for 2024-25			
Estates Transformation: 2022/23 - 2025/26 MTFP	Assets, Capital & Commercial Services	0.060	
Estate Transformation Revenue Cost Reduction	Assets, Capital & Commercial Services	0.600	
Optimisation of software license management	Innovation & Digital	0.025	
Gartner Contract restructuring	Innovation & Digital	0.025	
Review of policy compliance processes	Innovation & Digital	0.010	
Capital Financing related savings	Corporate Items		0.182
Total		0.720	0.182
New for 2024-25			
C&SS Sales, Fees and Charges - inflationary increases	Directorate wide	0.563	
Customer And Support Services Ways of Working Programme (CASS WoW)	Directorate wide	0.250	
Retained Business Rate income from Renewables	Corporate Items		0.350
Total		0.813	0.350
Total Savings		1.533	0.532



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If you have any questions or comments

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