

Report to:	Cabinet	
Date:	13 November 2024	
Title:	Draft Revenue Budget 2025/26	
Portfolio Area:	Resources	
Divisions Affected:	All	
Local Member(s) briefed:	N/A	
Relevant Scrutiny Committee: Budget Development Overview and Scrutiny Committee		
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Approval and clearance obtained:	Y	
Date next steps can be taken	23 November 2024 (but consultation will start on 15 November)	
For Cabinet and delegated executive decisions only		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)	N	
Published in advance on Cabinet Work Programme?	Y	
Urgency Procedure(s) used if 'N' to Work Programme?	N	

Recommendations:

1. That the Cabinet responses to the recommendations of the Budget Development Overview and Scrutiny Committee, as set out in section 2 of the report, be confirmed and that the draft budget proposals for 2025/26 presented in the report, be used as the basis for the public consultation running from 15 November 2024 to 5 January 2025.
2. That the key assumptions in relation to inflation and core resources be approved as the basis for setting the 2025/26 budget including:
 - i. a 4.99% Council Tax increase, inclusive of a 2% adult social care precept.
 - ii. the application of 100% Council Tax Premium on Second Homes.
 - iii. the continuation of 100% Business Rates Retention as confirmed in the Chancellor's Autumn Budget.
 - iv. a funding settlement of grants from the Government that generally assumes a rollover of the same amount of funding received for 2024/25, apart from that which is specifically detailed in the report, and which indicates otherwise.
 - v. an assumed nationally agreed pay offer for employees of 3% for 2025/26.
 - vi. the addition of Foundation Living Wage (FLW) increases for Council staff and where FLW is paid as part of our contractual arrangements with suppliers and providers.

1 Executive Summary

- 1.1 The contents of this report present Cabinet's draft revenue budget recommendations in order to begin statutory consultation with residents, stakeholders and staff. It combines the officer proposals which were reviewed by the Budget Development Overview and Scrutiny Committee (BDOSC) on 31 October, the recommendations made by the aforementioned Committee, updates and assumptions obtained from the Chancellor of the Exchequer's Autumn Budget Statement on 30 October, as well as Cabinet's final review to present a balanced draft revenue budget for 2025/26.
- 1.2 The range of the Council's services, size and complexity coupled with a very challenging resources envelope has meant that the budget setting process has once again proved incredibly difficult. Those challenges have been tackled head-on, leading to the point where Cabinet is able to deliver a very focused report detailing the changes that need to occur in order to present a balanced 2025/26 revenue budget. The review and update of the capital programme and associated strategy, reserves strategy and Medium-Term Financial Plan (MTFP) and the Treasury and Investment Strategy will be published for review

by BDOSC in January 2025 and approval by Cabinet thereafter. Alongside these reports will also be the feedback from the public consultations linked to the revenue budget.

- 1.3 The draft budget and savings proposals contained in this report are challenging given that the costs and demands for our services continue to outstrip the resources we have to fund them. The proposals are, however, considered to be achievable and lawful having been reviewed by officers and by Cabinet Portfolio Holders.
- 1.4 As is always the case, every effort will be made to ensure employees, residents, stakeholders and businesses of Cornwall are able to express their views on the draft budget proposals. To that end, the comprehensive consultation and engagement mechanisms the Council has developed over recent years will once again be deployed. Consultation on the budget will be held for seven weeks, commencing on 15 November 2024 and concluding on 5 January 2025. This ensures we are able to fulfil our legal duties on appropriate and meaningful consultation with both our employees, residents, stakeholders and partners. It also helps with proper treatment of commercial considerations and having proper regard to our fiduciary duty.
- 1.5 All the savings proposed for 2025/26, which collectively total £48.6m (£47.8m of new proposals, in addition to £0.8m of savings previously approved in February 2024), can be found on the public facing dashboard [here](#). This report presents a net revenue budget of £828.866m for 2025/26, which is a balanced budget position and an increase from 2024/25 of £58m.

2 Purpose of Report and key information

National context

- 2.1 As outlined at the Budget Development Overview and Scrutiny Committee (BDOSC) meeting on [31 October](#), there are significant financial challenges facing the Local Government sector as a whole, and it is widely recognised that the vast majority of councils are undergoing similar challenges to delivering their services within their financial envelope.
- 2.2 To illustrate the point, a recent survey by the Local Government Association revealed one in four councils in England say they are likely to have to apply for emergency Government bailout agreements to stave off 'bankruptcy' in the next two financial years (2025/26 and 2026/27). That adds to the unprecedented 18 councils given Exceptional Financial Support (EFS) from the Government in February to help meet their legal duty to balance their books during 2024/25.

2.3 Across the sector, the main issues are a rise in demand (numbers of people accessing services), ever increasing costs of services (due to inflationary pressures), with the additional resources available (through extra Council Tax, Business Rates and Fees and Charges) not being enough to meet these pressures. This inevitably means that the Council has to reduce costs to be able to balance the budget and live within its means.

2.4 The new Government held its first major fiscal event, through the Chancellor of the Exchequer's Autumn Budget statement on 30 October. In advance of the Budget, the Council took every opportunity to lobby the Government for additional resources for Cornwall through direct correspondence to the Chancellor and Secretaries of State. The key relevant headlines from the Autumn Budget include:

- Increase in taxation which is projected to raise an additional **£40bn** for the Government, £25bn of which constitutes increases to Employer National Insurance contributions (NICs).
- The Budget was accompanied by a Spending Review which restates 2024/25 departmental budgets, sets budgets for 2025/26 and sets out the overall spending envelope for the next five years. In her speech, the Chancellor suggested that these figures mean a **real-terms 1.5% annual increase in day-to-day departmental** spending in future years.
- There will be an increase in real terms in core local government spending power (CSP) of around **3.2%** in 2025/26, including at least **£1.3bn of new grant funding**, of which at least **£600m** will be new grant funding to support social care.
- Local authorities in England are expected to receive around **£1.1bn** of new funding in 2025/26 through the implementation of the Extended Producer Responsibility (EPR) scheme to improve recycling outcomes from January 2025.
- **£1bn** increase to special educational needs and disabilities (SEND) and Alternative Provision funding.
- **£233m** of additional funding in 2025/26 to prevent homelessness.
- Various Business Rates measures including the continuation of **100% business rates retention for Cornwall Council**, the freezing of the small business multiplier for 2025/26, and retail, hospitality and leisure businesses receiving up to 40% discount on their bills (up to £110,000 per business).
- Reduction of right to buy (RTB) discounts, with local authorities

allowed to **keep all receipts** from the sale of council homes.

- The Government is committed to reforming the approach to funding allocations within the Local Government Finance Settlement by **redistributing funding to ensure that it reflects an up- to-date assessment of need and local revenues**. This will start with a targeted approach to allocating additional funding in 2025/26, ahead of a broader redistribution of funding through a **multi-year settlement from 2026/27**. The Government will set out further details through an upcoming Local Government Finance Policy Statement.

- 2.5 The Autumn Budget also included an increase to Employer NICs (from 13.8% to 15%), and a reduction to the per-employee threshold at which employers become liable to pay National Insurance from £9,100 to £5,000. This could represent a direct cost to the Council in the region of £5m. There is the expectation that Government will fund local authorities for this additional cost outside of the additional £1.3bn grant funding notified, however any detail of this is yet to be confirmed and cannot yet be assumed in the overall numbers.
- 2.6 We also expect that there will be an indirect cost to the Council through our contracts, as suppliers and providers will be impacted by this policy decision and may seek contractual increases. At this time, it is not possible to quantify the financial pressure this could present to the Council, however, we continue to work towards a greater understanding of the risk.
- 2.7 As always with the measures announced during the Chancellor's Budget, the devil is in the detail. We await the release of both the Local Government Finance Policy Statement (expected later this month) and the Provisional Local Government Finance Settlement (December) to see detailed grant allocations and to fully understand the impact of the Autumn Budget announcements on Cornwall Council.
- 2.8 Currently there is no firm indication of the allocation of national funds to Cornwall. To inform the draft budget we have used funding allocations from previous years as a proxy. It must be stressed that there is no certainty as to how the new Government will allocate funding to individual authorities where a new approach to allocation is likely. These values will, of course, be updated when further information becomes available; for now, the working assumptions we are prepared to take are:
- **£6.5m** additional Social Care grant funding
 - **£1.3m** from an inflationary increase in the Settlement Funding Assessment (assumed to be funded from the remaining £700m of the £1.3bn to Local Government, after £600m for Social Care)

- **£2.7m** of new funding (again from the remaining £700m) using a 'deprivation-based approach targeted to the places that need it most'.
- **£2.0m** of new Homelessness funding
- We are not including, at this stage, any funding from the **Extended Producer Responsibility Scheme** as there are no details about conditions of this grant other than anything we receive will be used directly for new waste responsibilities.

Cornwall context

- 2.9 Cornwall Council is a very large unitary Council, one of the biggest in the country. It delivers the whole range of services either itself, commissioned through our own companies, or through other contracts. The Council needs to ensure that its budgets are allocated in accordance with the priorities set by Members and, more specifically has to approve a balanced budget every year by law.
- 2.10 In the External Auditor's published interim Value for Money Report 2022/23 for Cornwall Council ([accessed here](#)), whilst overall the report was very positive, it highlighted the fact that the Council's outturn position for 2022/23 (and current forecast outturn position for 2023/24 at that point in time) relied on the use of reserves to balance. This was criticised as unsustainable, with the conclusion that "Members must seek other ways other than the use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves".
- 2.11 As the Council's approved budget for 2024/25 was only balanced by utilising **£11.4m** of reserves, the principal of not using reserve funding to support the budget has introduced a "structural budget gap" of this value in 2025/26 that it is necessary to use additional resources to cover.
- 2.12 As shown in the Quarter 2 Council Performance Report, considered ahead of this report on the agenda, the Council is reporting a forecast budget overspend of **£7.2m** for 2024/25. If no mitigations are found for the overspend by the end of the financial year, a contribution from reserves will be required in order to fund this, compounding the structural budget gap. The overspend is fully detailed in the Council Performance Report on this Cabinet agenda, but in summary the position largely consists of:
- Children & Family Service; **£4.9m pressure** – mainly related to children in care costs, employee costs due to agency social work placements, and legal costs to fulfil the Council's statutory responsibilities to protect children from serious harm.
 - Corporate Items; **£2.5m pressure** – shortfall on returns from Council-

owned entities.

What was agreed in February 2024 as part of 2024-2028 Medium-Term Financial Plan (MTFP) and how this has changed?

- 2.13 In February 2024, Council approved the four-year MTFP from 2024-2028. This forecast a net budget for 2025/26 of **£846m** with total available resources to spend of **£779m** leaving a known budget gap of **£67m**.
- 2.14 Throughout the development of the 2025/26 budget, assumptions around inflation, growth and resources have been revised, as well as new savings proposals brought forward. This presents a revised net budget for 2025/26 of **£829m** which is a **balanced budget position**.
- 2.15 The following key financial assumptions underpin this revised budget position for 2025/26:
- Pay inflation assumed at 3%.
 - Contractual costs inflated by the relevant indices, including the Foundation Living Wage rate at £12.60 where relevant.
 - Budgetary risks, demand pressures and growth investment requirements reviewed and factored in accordingly.
 - Council Tax charge increased by 4.99% (2.99% for core Council Tax, and 2% for the Adult Social Care precept).
 - Inclusion of the 100% Council Tax Premium on Second Homes.
 - Continuation of 100% Business Rate Retention, as confirmed in the Chancellor's Autumn Budget.
 - Increases to Government grant funding, largely reflecting our current assumptions around the additional funding announced for local government in the Chancellor's Autumn Budget.
- 2.16 The below table shows how the **£67m budget gap** that the Council presented for 2025/26 as part of the MTFP approved in February 2024, has been brought down to a balanced position.

Table 1: Change to 2025/26 budget gap since February 2024

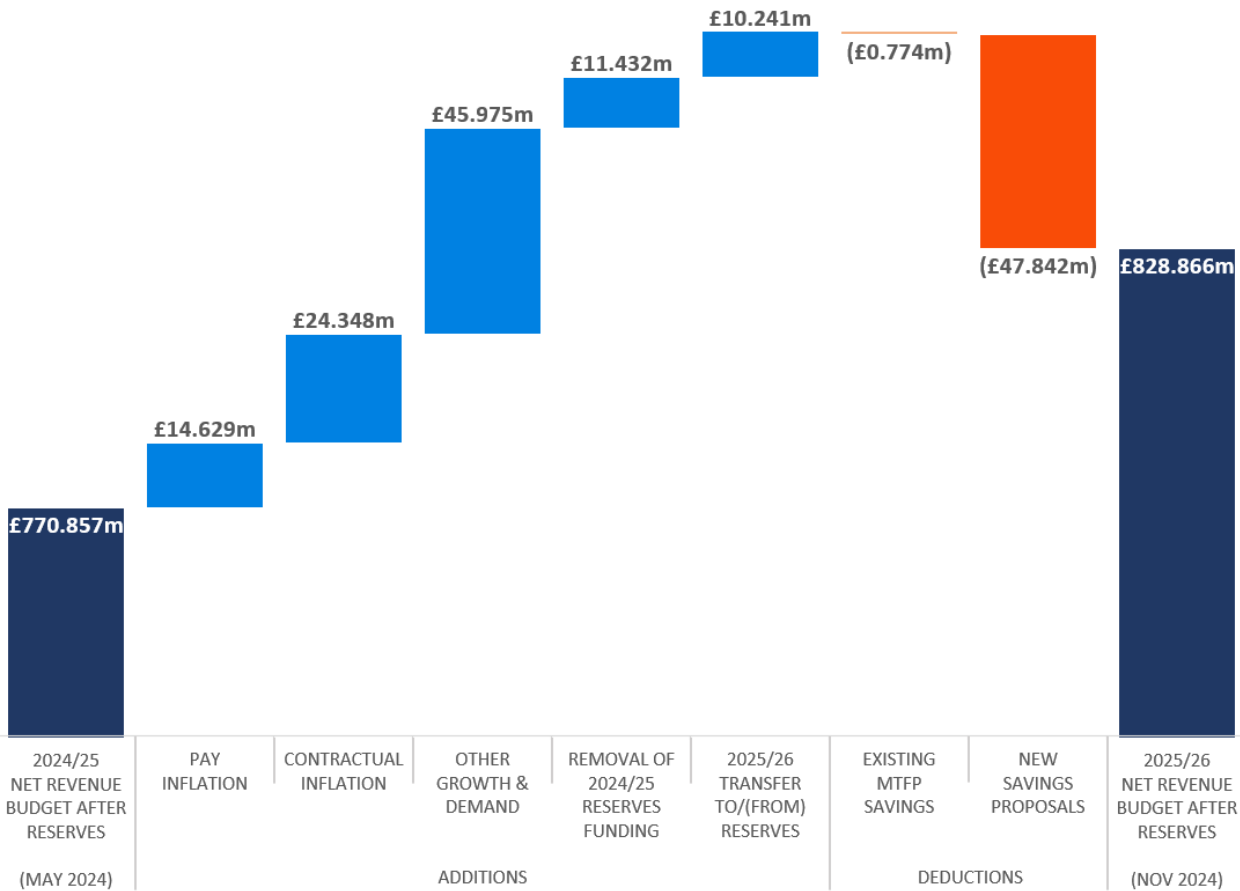
	2025/26 (£m)
Budget gap (February 2024)	67.111
Adjustment to 2024/25 budget b/fwd (May 2024)	(1.284)
<i><u>Changes to assumptions - pressures</u></i>	
Pay inflation	1.376
Contractual inflation	(0.069)
Other growth & demand	20.445
	<u>21.752</u>
<i><u>Changes to assumptions - resources</u></i>	
Council Tax	(11.924)
Council Tax - 100% Second Homes Premium	(23.811)
Business Rates	3.847
Government grants	(18.090)
	<u>(49.978)</u>
New savings proposals	(47.842)
Transfer to/(from) reserves*	10.241
Budget gap (November 2024)	-

* Detailed further in paragraph 2.26

- 2.17 The new savings proposals to which the £47.482m total above relate to, are detailed on the public facing dashboard [here](#). The dashboard also includes the summary position of existing and proposed savings, and detail of the existing MTFP savings approved in February 2024.
- 2.18 The below chart demonstrates how the Council's net revenue budget will

change from 2024/25 to 2025/26, based on the assumptions and proposals contained in this report.

Diagram 1: Movement in net revenue budget - 2024/25 to 2025/26



Risks to the budget position not yet included, but will have an impact if they materialise

- 2.19 The following risks will impact negatively if they materialise. This includes local, as well as national risks;
- Fair pay agenda, raising front-line social care workers rate to c. £15 per hour – creates an overall pressure for the Council of **£54m** which would be unaffordable for the organisation, and we would expect the Government to treat as a ‘new burden’. Following the Chancellor’s Budget this risk moves to impacting 2026/27 and will continue to be monitored.
 - Increase in Employer’s NICs as per the budget announcement, is estimated to have a **c£5m** negative impact for the Council. Whilst funding from the Government is expected there is no certainty that it will be at a level to meet the likely cost.

- Furthermore, the NICs costs will impact our suppliers, group of companies and partners. At this time, the impact of NICs on our wider supply chain is still being worked through. With some markets already facing challenges to recruit and retain staff, this additional pay cost will add pressure, potentially leading to suppliers needing additional support.
- Government grant funding – grants currently received may be reduced or removed entirely, which may impact core services.
- We have been planning for a number of Shared Prosperity Fund (SPF) scenarios ranging from the end of the programme in March 2025 to a full continuation of the programme. The former would have resulted in approx. 90 redundancies. However, the Autumn Statement confirmed that the SPF programme would continue nationally for a further ‘transitional’ year until March 2026. £900m has been allocated nationally but we have yet to receive notification of the allocation to Cornwall and the Isles of Scilly (CIOS); based on previous allocations the one-year extension could be c£49m. The national allocation represents a 40% reduction in SPF funding, and we are now planning for a similar reduction in CIOS, meaning that significant changes to SPF funded projects and programmes are likely post March 2025 as we enter the transitional year and await confirmation of post 2026 plans from the Government.
- 2024/25 forecast overspend position will need to be covered which will impact on 2025/26 budget position – quarter 2 as reported separately on this agenda shows a forecast overspend of **£7.2m**.
- Dedicated Schools Grant (DSG) deficit reserve balance – allowed through statutory override (a Government mechanism). The reserve deficit is forecast to be **£40m** at the end of 2024/25, increasing to **£155m** by the end of 2028/29 which the Council will need to cover with additional reserves if the Government does not have a funded mechanism to reduce.
- Increasing SEND demands – for every extra 100 Special Educational Needs (SEN) pupils accessing home-to-school transport based on current average costs, the pressure increases by c.£0.770m. The Council’s budget for home-to-school transport is **£35m**.

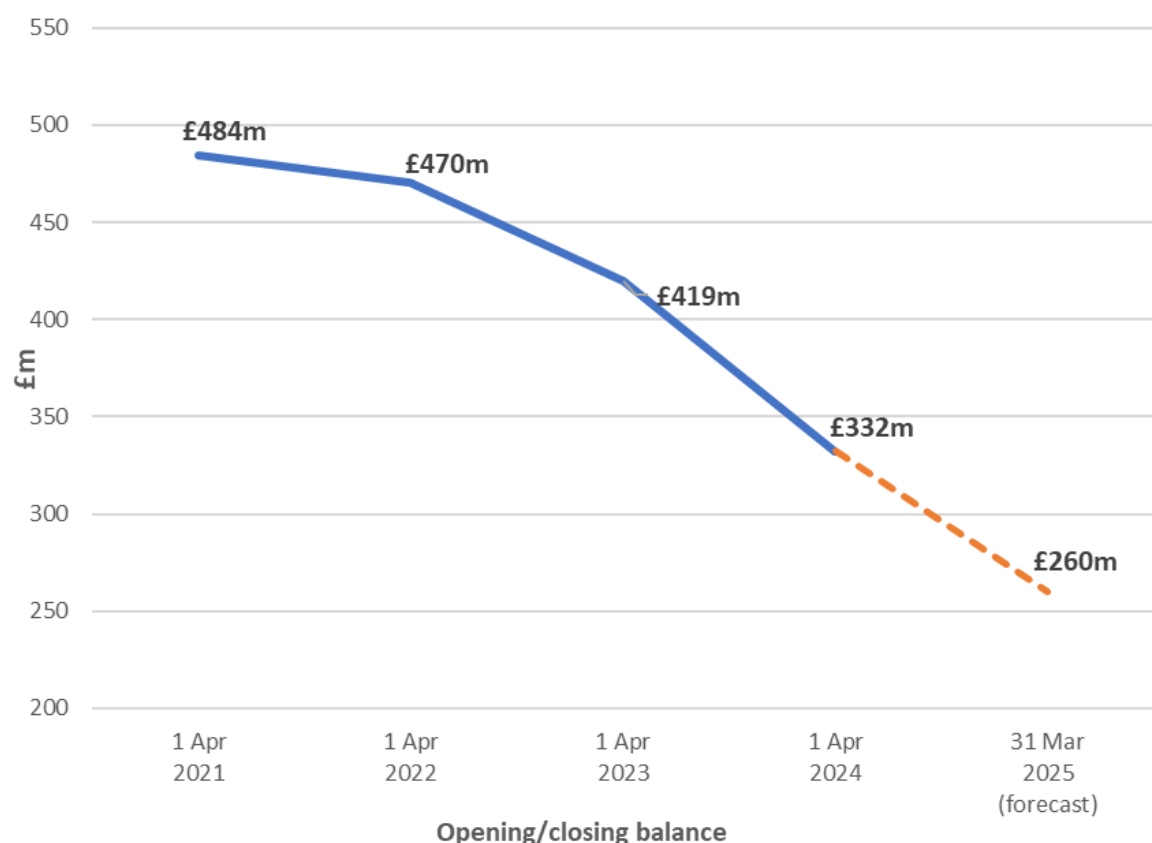
Reserves forecast and why reserves are important

- 2.20 Reserves are cash amounts that are kept separately to the main service budgets and are a key element of the Council’s financial management. A bit like the money anyone might keep in their savings account for items that are

not used to pay monthly bills. Reserves should not be used to pay for service budgets which are needed every year; they are a finite amount of money, and once they have been spent, they are gone. The level of cash held in reserves in an authority is a measure of its financial resilience and is a key piece of evidence for external scrutineers on the financial sustainability of the organisation.

- 2.21 The amount of cash held in this Council's reserves has been reducing for a number of years as the levels of government grant have also reduced. This has an impact on not just our general level of financial sustainability, but also the amount of investment available for transformation and asset projects. Lower levels of reserves also impact on the ability for our expert treasury officers to generate interest payments to support cash flows.
- 2.22 The reduction in the usable reserve balances can be seen in the chart below.

Diagram 2: Cornwall Council usable reserve balances since 2021



- 2.23 It is important to note that not all of the cash held in the Council's reserve accounts are available for the Council to spend. Some reserves are held on behalf of other organisations (i.e. Harbours funds) or held for specific legal reasons and contractual commitments (PFI reserves), with most other

reserves put aside for specific reasons and fully 'committed'.

Table 2: Forecast reserve balances as at 31 March 2025 (2024/25 quarter 2)

Reserve name	Opening balance 1 April 2024 (£m)	Closing balance 31 March 2025 (£m)
General Fund Reserve	41.184	41.184
Earmarked Reserves		
Adult Education General Reserve	0.002	0.002
Adults Grant reserve	0.480	0.206
Audiology Donations Reserve	0.003	0.003
CDC Projects Reserve	5.173	5.173
Childrens Grants Reserve	2.278	0.720
CIOS Technology Refresh Reserve	0.174	0.174
Collection Fund Volatility Reserve	6.881	-
Commutated Sums Reserves	0.948	0.701
Cornwall Harbours General Reserve Fund	0.167	0.281
County Election Fund Reserve	1.197	1.422
Environmental Legislation Reserve	0.837	0.920
Financial Sustainability Reserve*	13.860	1.305
Household Waste Collection Reserve	2.990	0.749
Integrated Health and Care Improvements	12.841	7.987
Organisation Improvement Reserve	16.014	6.227
PFI Fire Reserve	1.546	1.404
PFI Leisure Reserve	0.206	0.206
PFI Schools 2 Reserve	9.474	7.296
Place and Green Growth Reserve	25.279	19.834
Public Health Reserve	6.994	6.153
Unapplied Revenue Grants Reserve	23.666	13.051
Waste PFI Equalisation Reserve	44.914	37.722
Total - Earmarked Reserves	175.926	111.538
Capital Reserves		
Capital Grants Reserve	16.462	16.355
Capital Reserve	10.103	12.020
Right to Buy 1-4-1 Replacement Capital Receipts	4.439	4.439
Usable Capital Receipts Account	54.818	47.131
Total - Capital Reserves	85.821	79.944
Schools and Partnership Reserves		
Area of Outstanding Natural Beauty Reserve	0.085	0.085
Carers Pooled Fund Reserve	2.538	1.938
Heartlands Endowment Reserve	0.430	0.430
Heartlands Western United Mines Reserve	0.200	0.200
Housing Revenue Account Balance	4.489	3.582
ICES Reserve Account	0.558	0.558
LEP Enterprise Zone Relief Reserve	1.964	2.154
Local Nature Partnership Reserve	0.297	0.151
Local Safeguarding Childrens Board Reserve	0.264	0.239
Mount Edgecumbe Reserve Fund	0.025	0.025
New Build & Acquisition Reserve HRA	4.323	4.323
Port of Penryn Reserve	0.683	0.683
Port of Truro Reserve	0.670	0.670
Schools Curriculum Development Reserve	3.044	3.044
Schools General Reserves	7.907	7.907
Schools Small Loans Scheme Reserve	0.576	0.576
Tamar Bridge and Torpoint Ferry Reserve	0.851	0.851
Tamar Valley AONB reserve	0.096	0.089
Youth Offending Trust General Reserve	0.293	0.304
Total - Schools and Partnership Reserves	29.293	27.809
Total Reserves	332.224	260.475

*Forecast draw from the Financial Sustainability Reserve for 2024/25 currently totals £12.6m;
£4.6m to support 2024/25 balanced budget; **£0.2m** for Contact Centre staff for Housing;
£0.6m in respect of backdated holiday pay; **£7.2m** to fund forecast Q2 overspend

- 2.24 The Council's General Fund Reserve is its primary source of uncommitted resources. The appropriate level of the General Fund Reserve is determined legislatively by the S151 Officer based on an annual assessment of the financial risks that the organisation is facing, and the impacts these would have on the Council's overall spending if they were to crystallise.
- 2.25 The S151 Officer set the appropriate level of General Fund Reserve for 2024/25 at £43m, however, there had to be a slight reduction to £41m because of the unavailability of cash. In addition, there is a proposed draw on this reserve in the Council Performance Report Q2 report, which will reduce the balance to £38.8m. This is manageable on a short-term basis, however with a growing budget and risk base for 2025/26 it is likely that the S151 Officer's assessment of risk will be even greater.
- 2.26 To ensure there are sufficient reserves to cover the risks facing the Council, this report outlines a £10m transfer into reserves. At this point, it is estimated as c£5m to replenish the General Fund Reserve to the appropriate level set by the S151 Officer, and £5m into the Collection Fund Volatility Reserve to mitigate against fluctuations in second homes council tax collection. This is before risks such as the DSG deficit are factored in. The full reserves strategy will be outlined in the MTFP and will be considered later in the budget cycle.

Recommendations from Budget and Development Overview and Scrutiny Committee

- 2.27 On 31 October 2024, the newly formed Budget Development Overview and Scrutiny Committee (BDOSC) met to consider the draft budget and savings proposals for 2025/26. These represented officers' (as opposed the Cabinet's) professional and impartial consideration of how to close the budget gap in an achievable and lawful way.
- 2.28 Upon scrutinising the proposals, the committee made the following recommendations to Cabinet, which have been addressed and reviewed as follows, subject to formal confirmation at this meeting:

BDOSC recommendation	Cabinet Proposals
That the Cabinet is RECOMMENDED to have regard to the following in developing the 25/26 budget proposals:	
(i.) That the Committee expects to see impact assessments, including financial and service delivery impacts, for the savings that are taken forward to inform scrutiny by the Committee of the Cabinet's budget proposals;	Impact assessments – Cornwall Development and Decision Wheels – are available here . See section 9 for further details.

(ii.) The whole of the Members' Community Chest pot be retained and, to counter that, consideration be given to how savings can be made by reviewing the convening and operation of the Community Area Partnerships;	Cabinet members have considered the recommendation and propose to reduce the Community Chest budget by 50%, as originally proposed to BDOSC.
(iii.) The removal of the £18k funding for domestic violence and sexual abuse service is rejected and instead that £18k is funded from other budget lines within the Neighbourhoods Directorate or from the proposed £5m transfer to reserves of the anticipated second homes council tax;	Cabinet members have considered the recommendation and have agreed that this saving will not be progressed and has therefore been removed from the draft budget proposals. The impact of this has been absorbed as part of the wider revisions to the budget.
(iv.) Consideration be given to the level of capital and revenue spend associated with net carbon zero and whether any savings can be made by adjusting such spend;	Cabinet members have considered the recommendation and have decided to increase the saving against the net revenue budget for climate change activity to 33.3%.
(v.) Consideration be given to whether an additional £3 per year (circa 6p per week) be added to the annual subscription for garden waste collection;	Cabinet members have considered the recommendation and will proceed with the original proposal presented to BDOSC in October 2024, which already includes an increase for garden waste collection.
(vi.) Consideration be given to whether garden waste subscriptions can be paid by periodic instalments, with a view to making the subscriptions more accessible to those who may not be able to afford an annual payment at the beginning of the financial year;	Cabinet members have considered the recommendation and have decided not to progress with this option.
(vii.) That a fee of £10.00 per passenger, for all passengers aged 17 years or over departing Cornwall Airport, be introduced from 1 April 2025, whether as a carbon reduction fee or whatever description is appropriate, and the Cabinet request Cornwall Airport to commence the necessary steps to	Cabinet members have considered the recommendation and given the rise in Air Passenger Duty (APD) announced at the Chancellor's Autumn Budget on 30 October 2024, do not feel this is supportive to the industry or aims of increasing passenger numbers. This is therefore not included in the draft

implement this;	budget proposals.
(viii.) That exempt savings proposals RI22 ('Clinical Psychology - removal of a full time vacancy') and RI197 ('Deleting 6 x vacant grade 3 frontline practitioner roles (Family Workers and Youth Workers) from Early Help teams') be reviewed with a view to their inclusion as savings, including as to whether they might be partially implemented, but that saving proposal RI149 ('Education Psychology - Not filling vacancies and workforce reduction') is not progressed;	Cabinet members have considered the recommendation. It has been decided that savings "Clinical Psychology - removal of a full time vacancy' and 'Deleting 6 x vacant grade 3 frontline practitioner roles (Family Workers and Youth Workers) from Early Help teams' will be included as part of Cabinet's draft budget proposals for 2025/26. It has however been decided that saving 'Education Psychology - Not filling vacancies and workforce reduction' will not be progressed and therefore has been removed from the draft budget proposals.
(ix.) Consideration is given as to whether saving RI158 ('Removal of Public Service Obligation (PSO) between Newquay and Gatwick') is taken forward, given the impacts there would be, including the wider strategic impacts for Cornwall;	Cabinet members have considered the recommendation and have agreed that this saving will not be progressed and is therefore not included the draft budget proposals.
(x.) Proposal RI114 ('Reduced bus services') is not supported if related funding is allocated by Government that negates the proposed saving;	Cabinet members have considered the recommendation and agreed that the Government's proposed increase of funding to bus services means that this saving can be removed.
(xi.) Consideration be given to the impacts of implementing saving proposal RI171, and whether the wider impacts are so significant as to make the saving unviable;	Cabinet members have considered the recommendation and have decided that this saving will not be progressed and has therefore been removed from their draft budget proposals.
(xii.) That consideration be given to transferring more, or all, of the Council's car parks to Corserv, to reduce the Council's expenditure and realise an income share from Corserv, subject to the lawfulness of the proposal being taken forward being considered,	As referenced in the BDOSC recommendation the legal impediments need to be considered. Taken on recommendation into 2026/27 budget planning.

acknowledging that there are legal impediments related to this proposal;	
...and where the Budget Development Overview and Scrutiny Committee has not specifically commented on a savings proposal, the Committee may wish to make further comment when receiving the detailed budget proposals for consideration; and...	
That Cabinet be urged to lobby Government for a fairer funding settlement.	Cabinet will continue to lobby Government for a fairer funding settlement for Cornwall.

Motions to Council

- 2.29 At time of drafting the budget report we are aware of three Motions to Council, all of which have financial implications.
- 2.30 From the meeting on 24 September, two have been considered and responses are included in this report. A further motion has been lodged for the Council agenda on 26 November. At this point, no decision has been made by the Chairman on whether this will be referred or debated on the day.
- 2.31 At the 24 September Council meeting it was resolved *That a report be presented to Cabinet considering revenue generated from the additional second homes council tax being ring fenced to finance a £100 million whole house retrofit rollout catalyst fund across Cornwall.*
- 2.32 The draft budget proposals include £23.8m of assumed additional funding from the 100% Council Tax Premium on Second Homes, with 20% of this figure (£4.760m) transferred to reserve as a contingency for any shortfall in 2025/26 and beyond.
- 2.33 If this proposal was supported, the Council would be required to find additional savings of £23.8m in order to balance the net revenue budget for 2025/26. This would be in addition to the further £49m of savings that are proposed through this report and draft budget.
- 2.34 An alternative to funding a £100m retrofit programme through the 100% Council Tax Premium on Second Homes, could be to use prudential borrowing. This would spread the cost of the £100m across a number of years and impact on debt servicing costs. It would also require additional savings to be found to pay for the borrowing, albeit at a lower level than £23.8m. This would be problematic as the strategy for capital is to be as cash flat as possible, in order for borrowing costs to remain at their current level and not add to our revenue pressures. It would also be counterproductive to the reduction in the

capital programme that is keeping borrowing costs down and contributing to the balanced position presented in this report. Capital investment and strategy will be reviewed by BDOSC in January.

- 2.35 At the same meeting, a second resolution was passed *That options for the use of council finance including, targeting unclaimed hardship funds to fuel poverty, support to Community Energy Plus and Citizens Advice Bureau, are explored and a report made to the Deputy Leader for decision.*
- 2.36 The government has made announcements that it will extend the Housing Support Fund and the Discretionary Housing Payments in 2025/26 by allocating £1bn across all local authorities. We already have processes in place to ensure these funds are allocated in the most effective ways to support our vulnerable residents.

Next steps and forward planning

- 2.37 BDOSC will be presented with the proposals for the capital programme and associated strategy in their January meeting which will seek to contain the revenue implication of costs. Officers have been tasked with finding ways of reducing the capital programme by £50m in order to reduce the revenue costs of debt. Alongside the Capital Strategy, BDOSC will also be tasked with reviewing the Medium-Term Financial Plan (MTFP) and the Treasury & Investment Strategy in January.
- 2.38 There has been a notification in the Chancellors Autumn Budget that local authorities should welcome a multi-year settlement which is unlikely to be in place until 2026/27. To this end, officers are working towards setting a balanced budget for 2025/26 and 2026/27 on the understanding that there will be budget gaps in years three and beyond of the MTFP and awaiting the outcome of the Spending Review feeding into the Spring Budget announced by the Chancellor.
- 2.39 Cabinet will make their decision on the final budget, MTFP and complementing strategies in February 2025. This will incorporate any feedback from the public consultation as required, and any impact of funding changes resulting from the Local Government Finance Settlement.
- 2.40 As part of the 2025-30 MTFP, and in acknowledgement of the lead in time required to reshape services within a constrained budget, it is the aim to present a balanced budget position for 2026/27.

3 Benefits for Customers/Residents

- 3.1 The consultation and engagement approach to the Council Business Plan and

budget gives communities a strong say on the priorities for Cornwall and proposed budget changes. Since the elections in May 2021, significant steps have already been taken to deliver on the Council's mission and the four priority outcomes set out in the Business Plan. A number of those 'steps' are set out in the Council's [Annual Report](#) which chronicles the organisation's key achievements during 2023/24.

- 3.2 As part of the budget cycle, the Council Business Plan and accompanying Outcome Delivery Plans (ODPs) will be refreshed to take account of the implications of the 2025/26 budget proposals. The ODPs give a sense of how the Council will deliver our services so they provide value for money, showing how we will use the resources we have wisely, to deliver the priorities that matter most to residents.
- 3.3 A key element of our commitment to continuous improvement is our annual residents' survey to ascertain the public's view on the organisation and the services we provide, which is benchmarked against a national survey undertaken by the Local Government Association (LGA).
- 3.4 The 2024 residents' survey is underway at the time of the Cabinet meeting; however, the [2023 results](#) showed the Council bucking the national trend with improved satisfaction ratings across the majority of key areas of public sentiment.

4 Relevant Previous Decisions

- 4.1 The following previous decisions and reports are pertinent to this report.
- 4.2 The Council approves annually the budget and four-year rolling MTFP. This was last approved by Full Council on the recommendation of Cabinet at its meeting on 20 February 2024:

<https://democracy.cornwall.gov.uk/mgAi.aspx?ID=105792#mgDocuments>
- 4.3 On 8 May 2024, Cabinet approved the Council Budget Update 2024/25 report, which made updates to certain assumptions around the 2024/25 budget, including adjustments to inflation, growth, funding, and savings proposals:

<https://democracy.cornwall.gov.uk/jelIssueDetails.aspx?Id=113441&PlanId=0&Opt=3#AI107113>
- 4.4 On 31 October 2024, the newly formed Budget Development Overview and Scrutiny Committee (BDOSC) considered the draft 2025/26 budget and savings proposals, which represented officers' professional and impartial consideration of how to close the budget gap in an achievable and lawful way.

<https://democracy.cornwall.gov.uk/ieListDocuments.aspx?CId=2358&MId=13633&Ver=4>

5 Consultation and Engagement

5.1 The Council is committed to listening and working with residents and other stakeholders to get the best outcomes for Cornwall. We have a strong track record of consulting with businesses and rate payers on our strategic priorities and resourcing to deliver them.

5.2 The Council must have due regard to duties to consult provided by legislation and common law, as well as its own established policies on engagement with residents (notably service users), businesses and partners. This will require:

For the overarching budget: Councils have a duty to consult with local business rate payers. However, our plans include Cornwall Council holding a seven-week consultation to understand the views of residents, key partners and stakeholders, thereby going beyond the minimum requirement. Consultation and engagement on the Business Plan and spending proposals will officially launch following Cabinet consideration on 15 November 2024 for a period of **seven weeks** until 5 January 2025. The detail is set out below.

For specific savings proposals in the budget: Where specific savings proposals lead to service changes or reductions or other situations in which a duty to consult applies, the relevant service will carry out specific consultations on such proposals to ensure these are shaped with input from residents, service users, partners and/or staff as appropriate. In the case of any potential reductions in headcount, the Council will consult with Trade Unions in line with normal practice.

Overarching budget consultation

5.3 Feedback gathered from stakeholders and residents in previous years, through comprehensive consultation and engagement about the budget challenge and priorities for Cornwall and Council services and business priorities, has provided the Council with a robust understanding of the various needs and interests of residents, stakeholders and communities.

5.4 We will build on our strong record of external consultation and engagement to generate feedback about our priorities and spending proposals. The consultation on the draft budget and business plan will involve focused engagement with businesses, partners and stakeholders and promotion of an online consultation questionnaire focused on relevant key issues.

5.5 In the light of the reach and success of our online engagement mechanisms,

our engagement with residents and stakeholders will remain predominantly online, using our website and the 'Let's Talk Cornwall' digital platform. However, we will also make it easy for people with no or limited access to the internet to request hard copies of the consultation questionnaire and return them by post.

5.6 The consultation on the Council's Business Plan and draft budget will commence on 15 November 2024 and run for 7 weeks until 5 January 2025. Consultation involves:

- Dedicated page on Let's Talk Cornwall with information about the Business Plan and Draft Budget.
- Online consultation questionnaire (available as hard copy on request) to provide feedback and a dedicated email address (haveyoursay@cornwall.gov.uk) for comments and queries.
- Stakeholder engagement, including through bespoke briefings and an online stakeholder engagement event for parish & town councils, key stakeholders and businesses.

5.7 Feedback from the consultation and engagement will be reported to BDOSC in January, and Cabinet and Full Council in February 2025 to inform the final budget proposals and decision-making process.

Service specific consultations

5.8 The Council's commitment to listening to residents is underpinned by a duty to consult on specific proposals for service changes where statute requires (for example, under the general duty to act fairly, under the statutory equality duties, and under service specific statutory requirements relating to health, planning, etc.); and where a legitimate expectation of consultation has been created through precedent or promise. The law requires any consultation to be fair and adequate, requiring consultation to:

- be undertaken when proposals are still at a formative stage
- give sufficient reasons for any proposal to permit intelligent consideration and response
- give adequate time for consideration and response
- conscientiously take the results into account in finalising proposals

5.9 For those specific savings proposals already included within the current MTFP and, Directorates will have already completed consultations or will ensure they are undertaken at the appropriate time, where required.

6 Financial Implications of the proposed course of action/decision

- 6.1 The Council is required, by law, to approve a balanced budget each year which ensures that the resources it receives are enough to cover the amount it is planning to spend.
- 6.2 The draft budget for 2025/26 is based upon a Council Tax increase of 2.99% plus a further 2% adult social care (ASC) Precept. This is an increase on the forecast for 2025/26 in the approved MTFP at February 2024. An overall increase of 4.99% will result in a Band D charge of £1,987.20 for the Cornwall Council element of the charge. This is an increase of £94.45 (£1.82 per week) compared to 2024/25.
- 6.3 The Government is yet to advise local authorities of the Council Tax referendum limits for 2025/26, or if the ASC precept can be applied, so there is some risk to this assumption.
- 6.4 Business Rate income is included on the basis that the Council's 100% retention pilot will continue for 2025/26, which was confirmed in the Chancellor's Autumn Budget statement.
- 6.5 Holding sufficient reserves is essential for the financial stability and resilience of the Council but they also provide one-off investment opportunities. It is therefore important that we have a balance between reserves which are required for managing financial risks, mainly the General Fund Reserve, and those for investing in specific activities. As a large complex authority, we also hold a number of reserves on behalf of partners and technical accounting reserves which can only be used for specific purposes.
- 6.6 The level of the Council's main risk-based reserve, the General Fund, will be determined by the Section 151 Officer as part of the final budget proposals in February once all risks have been considered and quantified. For 2024/25, the minimum level set was £43m, however, there had to be a slight reduction to £41m because of the unavailability of cash.
- 6.7 As previously mentioned, our quarter 2 forecast overspend position is c£7.2m and this could yet increase further. It is likely that the Financial Sustainability Reserve will be utilised to meet this pressure. If the overspend exceeds the Financial Sustainability Reserve balance, the General Fund Reserve will be drawn on to fund this gap and will not be at the level required by the Section 151 Officer. On this basis, proposals to fund day to day activity from the General Fund Reserve are not recommended.

7 Legal/Governance Implications of the proposed course of action/decision

- 7.1 There are no adverse governance issues arising as a result of this report. There are, however, a number of legal implications associated with specific saving proposals which have been identified and mitigations developed – including providing sufficient consultation and engagement on the proposals as set out in section 5.
- 7.2 It is a legal requirement for the Council to set a robust and balanced budget for the delivery of services and this report outlines the financial parameters within which those budget decisions will be made.
- 7.3 When setting the budget, the Council must comply with Section 149 of the Equality Act 2010 (the public sector equality duty) and the Equality Act 2010 (Specific Duties) Regulations 2011. The Council needs to have ‘due regard’ to equality considerations across each of the proposals and the cumulative (or combined) impact of these decisions, as set out in section 9 below.
- 7.4 The Council needs to comply with its statutory duties to consult, including section 65 of the Local Government Finance Act 1992 (duty to consult with representatives of non-domestic ratepayers on the Council’s expenditure plans) and section 3 of the Local Government Act 1999 (duty to consult all representatives as set out in the Act on the Council’s plans to secure continuous improvement in the way in which its functions are exercised). It also needs to ensure that it complies with any duty to consult arising from common law principles of fairness – for example, where a legitimate expectation of consultation has been created through precedent or promise.
- 7.5 Given the timescales for the development and setting of the Council’s council tax and supporting budget, it is entirely appropriate for consultation to commence on 15 November notwithstanding the usual lag in taking substantive next steps following executive decisions. That the BDOSC has considered the detailed savings proposals, and that all Members had the opportunity to attend that meeting, is helpful in this regard.

8 Risk Implications of the proposed course of action/decision

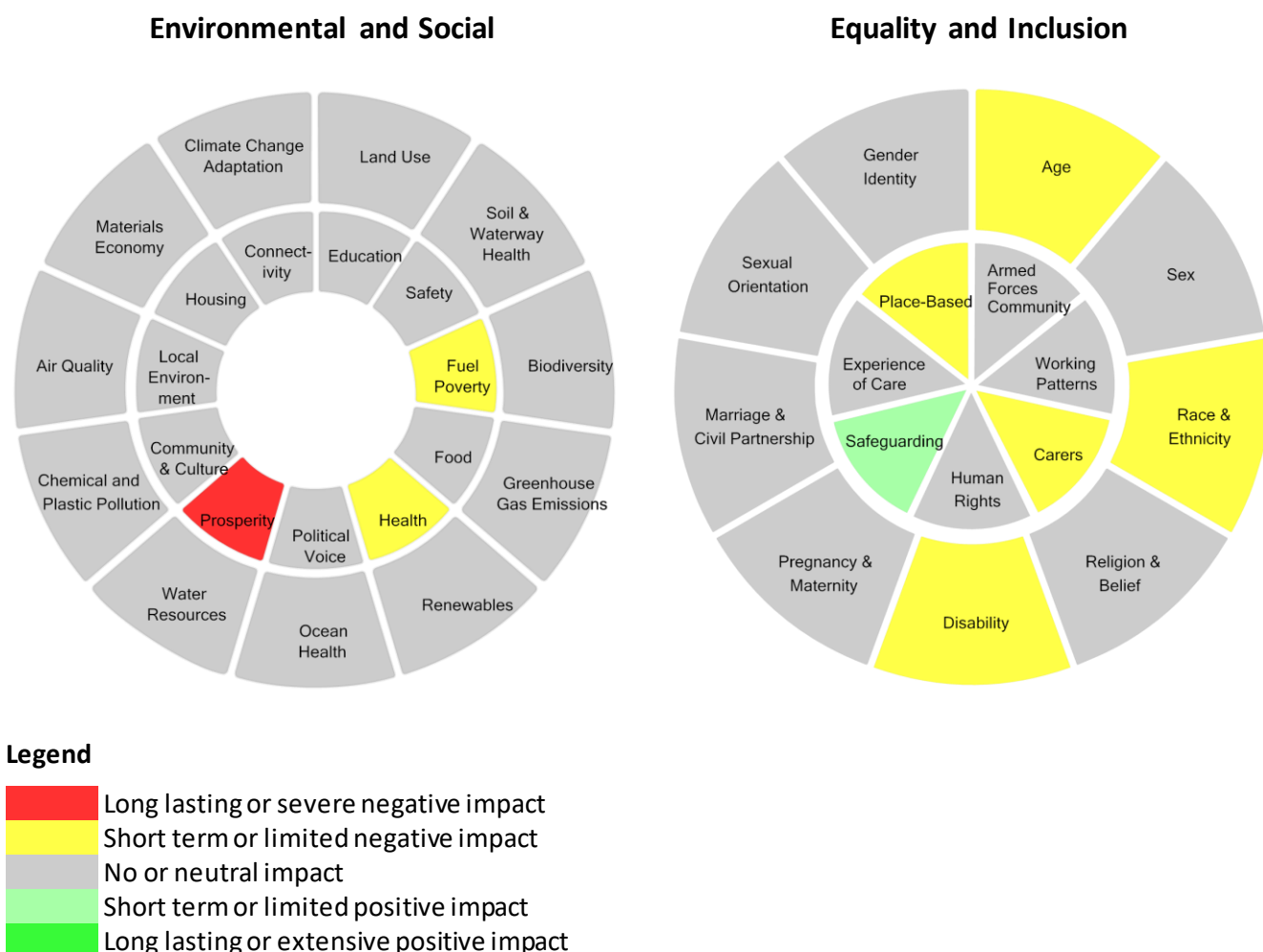
- 8.1 It is a statutory responsibility to set an annual balanced budget and any risks which may arise relate to the failure to set an appropriate budget or, within that, to put in place the necessary management actions to deliver services within the agreed budget targets.

- 8.2 Implementing the savings proposals will have a range of implications that could be considered to be risks, and which principally will manifest through the Council's diminished ability to resource services and deliver services to the levels that are preferable. The savings proposals speak for themselves, but further explanation can be provided should Members require that.
- 8.3 The Section 151 Officer will, as part of the final budget setting paper presented to Cabinet in February, bring forward an assessment of the robustness of budget estimates and reserves to ensure the Council maintains adequate provision given the level of financial risk.
- 8.4 Furthermore, the Council's seven strategic risks are being reviewed in light of the Chancellor's Autumn Statement and any changes will be reported to Cabinet as part of the Quarter 3 Council Performance Report and subsequent reports regarding the proposed 2025/26 Council budget.

9 Cornwall Development and Decision Wheel

- 9.1 All proposed savings lines identified in the budget with an impact on staff, service users, the wider community or the environment will have a Cornwall Development and Decision Wheel (impact assessment). The assessment explores the potential impact of the savings in relation to the nine protected characteristics as referenced in the Equality Act 2010, as well as Cornish minority status and other relevant groups, and upon our environmental and social goal. Where draft decision wheels are available for Cabinet to consider, these are published on the Council website. Final decision wheels will be published alongside the BDOSC agenda for the meeting in January 2025.
- 9.2 As part of this process, and where differential negative impacts may affect certain groups, the impact assessment author, with the support of Directorate Equality Action Group members (DEAG), will identify mitigations which can be taken to reduce or manage the impacts.
- 9.3 In addition to impact assessments on savings lines and any investment areas, a cumulative impact assessment will be undertaken to assess the aggregated impacts of the Council budget on People and Planet. This is finalised post-budget consultation and, for this year, that means a final cumulative impact assessment will be produced in January 2025. It will accompany the Council Business Plan and MTFP 2025-2030 papers for the Cabinet meeting on 12 February 2025 and Full Council on 25 February 2025.
- 9.4 The cumulative impact and individual impact assessments enable Members and senior officers to make fully informed decisions, as well as demonstrate the Council's compliance with its statutory duty by paying due regard to the legal requirements of the Equality Act 2010.

- 9.5 The decision wheels in respect of the Council Business Plan and Outcome Delivery Plans will also be refreshed if there are major changes to the content of these Plans.
- 9.6 A decision wheel assessing the impact of the proposed Council Tax increase is attached at Appendix 1.



- 9.7 The increase in the Council Tax charge will result in households across Cornwall with a reduction in disposable income: e.g., £1.82 per week more on a Band D property compared to 2024/25. Any impact on household budgets at this time could have a negative impact for those on lower incomes, and as such the Council will continue to signpost and offer support to residents on lower incomes through the Council Tax Support Scheme, which is available to support those in receipt of the basic state pension and on low incomes. The Council also operates a Care and Crisis Fund, which provides financial assistance to those in emergency situations. However, it is recognised that the majority of residents will not be eligible for additional support.
- 9.8 Data shows that some communities are more likely to have lower incomes

and lower financial security, including ethnic minority groups and residents with disabilities or with long-term health conditions. Therefore, any increase in Council Tax may have a differential impact on these communities and this is reflected in the decision wheel.

- 9.9 As the additional money raised through the adult social care precept is required to be spent on adult social care services, this could have a positive impact on safeguarding of vulnerable adults within Cornwall.

10 Options available

- 10.1 This report outlines the current overall funding forecast within which the Council's budget and financial planning decisions will be made for the 2025/26 financial year.
- 10.2 The development of the budget is the responsibility of the Cabinet and setting of the Council Tax and budget is statutorily reserved to Full Council. The key assumptions that make up financial forecasts are outlined within the report.
- 10.3 The preferred approach, at present, given the circumstances, is that the Cabinet supports the recommendations made.
- 10.4 Alternative proposals that come forward will need to comply with the usual procedural rules and will need to be assessed from a number of perspectives including financial, service delivery, legal, impact and risk.

11 Supporting Information (Appendices)

- 11.1 Appendix 1 – Council Tax Charge April 2025 to March 2026 Cornwall Development and Decision Wheel.

12 Background Papers

- 12.1 None.

13 Approval and clearance

All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date

Governance/Legal (Required for all reports)	Matt Stokes	8/11/24
Finance (Required for all reports)	Leah Plummer	8/11/24
Cornwall Development and Decision Wheel (where required)		
Service Director (Required for all reports)	Tracie Langley	08/11/2024
Strategic Director (If required)	Tracie Langley	08/11/2024