

Finance strategy

Setting an overall direction for how the Council will fund its activities and invest in the future.

What is it?

Improving financial management across the Council.



Context

Where Council tax is spent

£ millions



£170m

the savings we have delivered over the past four years, the majority of which through efficiencies

What are the priorities?

Ensuring that the Council is financially resilient

Improving the financial management skills of staff across the organisation as they deliver the Council strategy

Working in partnership with others in Cornwall to ensure public money is managed effectively

Income generation and investing to save



Finance Strategy 2016

*A financially sustainable, resilient Council
delivering excellent value for money*

*Part of Cornwall Council's Organisational
Development Framework*

**Approved by Full Council –
16 February 2016**

Foreword - Cath Robinson, Interim Director of Communities and Organisational Development

I am pleased to introduce our 2016 Finance Strategy, which establishes the strategic framework and corporate financial policy for managing the Council's finances.

The Finance Strategy sets out the priorities we must focus on to create a Council that is financially sustainable, resilient and offers excellent value for money. It draws upon the extensive engagement work undertaken in 2014 with Members and the wider public, which enabled the Council to set the budget for 2015-19.

The Finance Strategy builds on the Council's financial strengths to maximise opportunities and ensure Members and officers can play their part in good financial management and deliver the Council's strategic and operational ambitions.

Links with other strategies and initiatives

The Finance Strategy is closely aligned to the Corporate Strategy and Corporate Business Plan. It sits alongside the Council's Medium Term Financial Plan, which sets out our financial assumptions, spending plans and savings over the next four years. In addition, the Finance strategy will support the delivery of the Organisational Development Framework and its' component strategies. In particular, it is closely linked to the Localism Strategy and Property Strategy as the council works with communities, public and voluntary sector partners to manage our assets in order to achieve the best returns for Cornwall.

Cornwall Council's Organisational Development Framework

The Finance Strategy is one of ten strategies which sit beneath Cornwall Council's Organisational Development (OD) Strategic Framework.

Each strategy focusses on a different aspect of the organisation and will contribute to the overall ambition of the OD Strategic Framework:

Cornwall Council; fit for purpose and prepared for the future

The Finance Strategy will also contribute to the achievement of the four strategic aims of the OD framework:

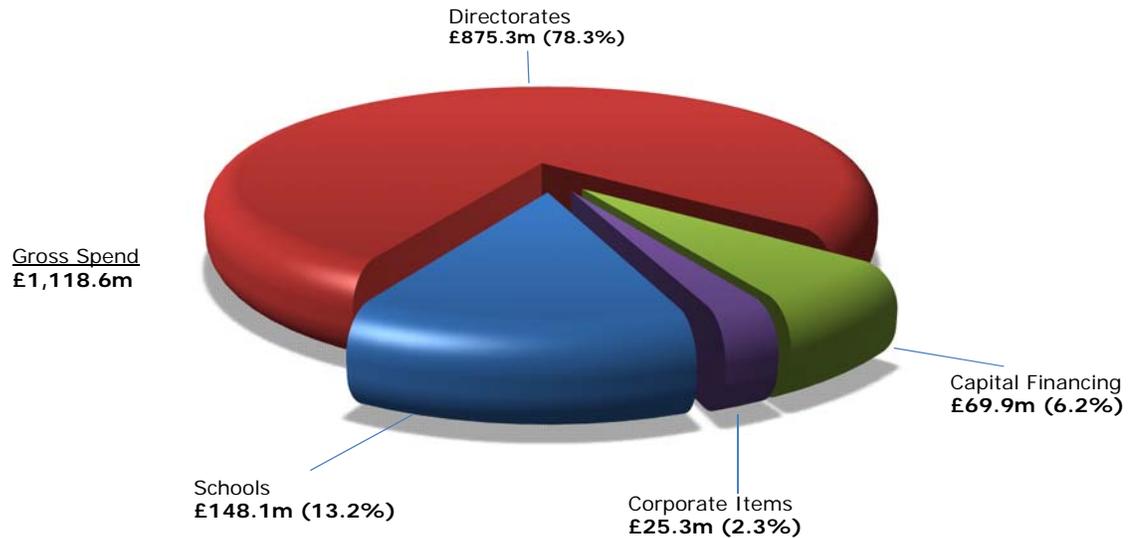


The actions identified in the ten strategies will be incorporated into the Council's annual business and service plans for delivery. These are subject to the Council's standard risk and performance management processes.

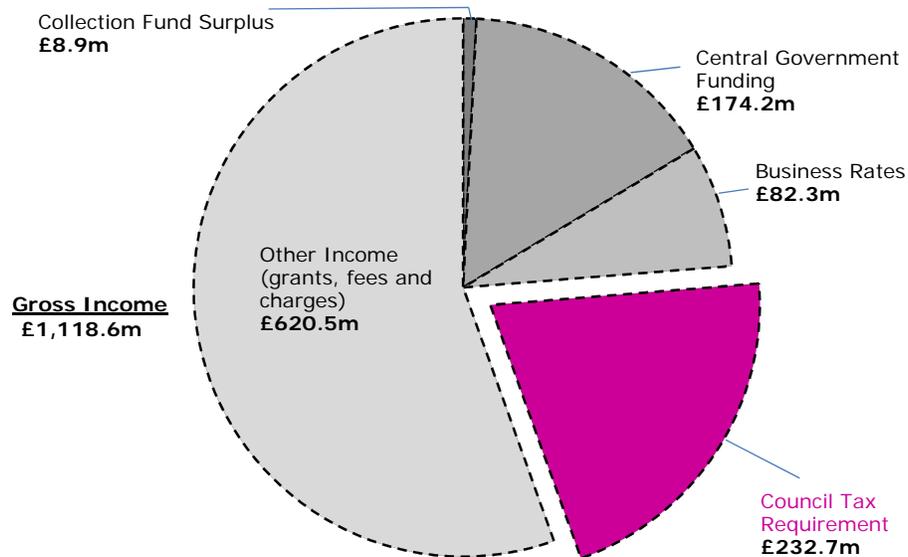
The Organisational Development Steering Group will monitor delivery of the overall framework and progress towards the four strategic aims.

Context

Cornwall Council is one of the largest unitary councils in England with an annual gross budget of £1.1 billion.



Funding for the Council's services comes from a variety of sources, including central government grants, business rates, income from fees and charges for services we provide and council tax. The way we spend and manage public money is highly regulated.



We face a significant challenge in trying to protect essential services from predicted central government funding cuts of around 33% over the next four years. At the same time demand for our services is increasing, and we

Finance Strategy

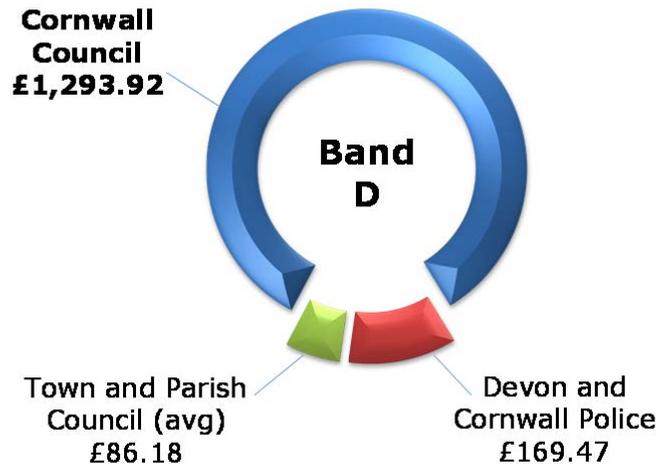
estimate that the Council must deliver savings of around £154m from 2015-2019.

Wherever possible, we aim to protect service delivery through improved efficiency, effectiveness and innovation. However, with the Council having already made £170m savings from 2010-2015, it will not be possible to make all the savings we need in the next four years without affecting frontline services. We will need to prioritise our limited resources to protect the service areas the Council considers to be the most important.

We also need to be flexible enough to be able respond to unforeseen circumstances, such as natural weather events. We maintain some funds in reserve to protect against financial risk, to meet known and predicted future liabilities, to enable us to fund responses and invest in solutions as they occur, and to provide financial capacity and time for service change and restructuring to take place.

To maintain resilience, we manage a portfolio of reserves and investments that help protect our available funds and keep them available to fund essential services. We also aim to generate more income in the future by taking a more commercial approach in our service delivery models and charging policies.

Last year we carried out extensive community engagement to ensure we listened to the views of local residents, businesses, partners and staff when setting our budget. The budget, which includes a 1.97% increase in council tax, equivalent to 48p a week for a Band D property, is based on the feedback we received.



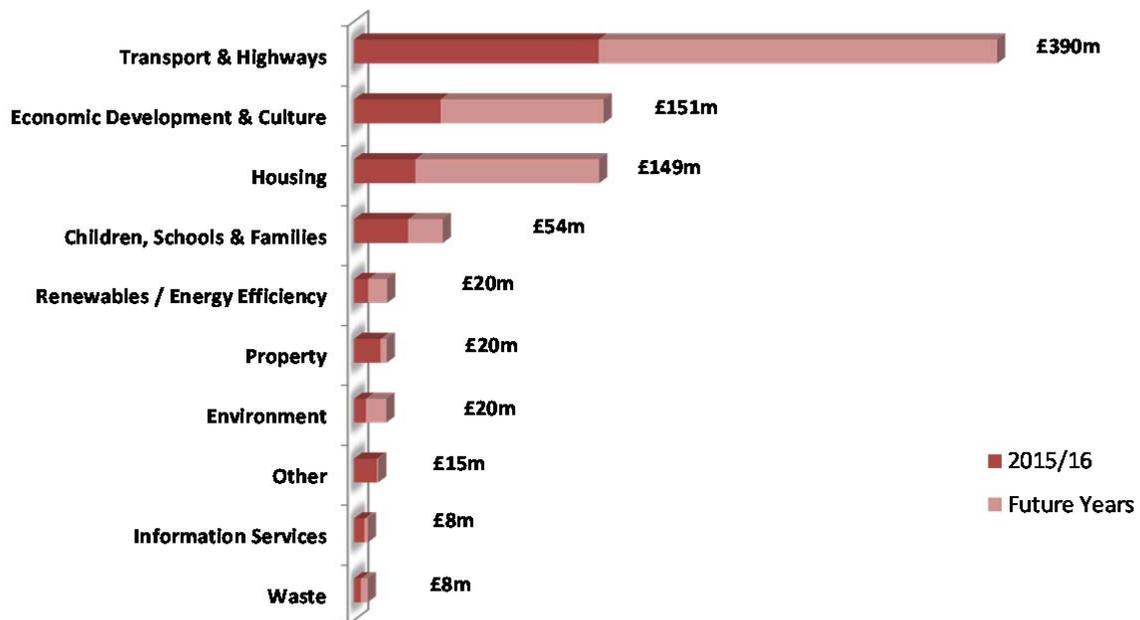
The Council works with partners in the public sector, the community and voluntary sector, local businesses (including those in which the Council is a shareholder) and other interested parties to achieve maximum impact from the funding available. This is set to continue, as is the devolution of Council assets and services to those best placed to manage them.

We are also working hard and ambitiously to secure greater freedom and flexibility from Government in how we, and our partners, use our ring-fenced funding to secure much better use of public money and fully realise Cornwall's economic potential.

We hold long term assets valued at some £2.2bn as of 31 March 2015. £2.1bn of this relates to property, plant and equipment. We also hold significant investments of £395m together with borrowings of £763m.

To achieve the Council's objectives and the services in a challenging financial environment, we must manage our assets to maximum effect through effective treasury management and by targeting our limited capital resources on strategic priorities and invest to save opportunities. Under the Council's prudent treasury strategy, we put security and liquidity first over chasing returns on investment.

We use capital investment to drive transformation and integration in service delivery, to drive economic development through regeneration and developing infrastructure, and to ensure the Council is fit for purpose with capacity to transform services and operational practices. We ensure our scarce capital resource is used effectively and prudently for Cornwall by setting criteria for future returns or savings for any projects we undertake. Our current capital programme is £835m, the vast majority of which will be invested for transport and highways infrastructure, economic development and housing.



How will we deliver the Finance Strategy?

Although the delivery of the Finance strategy will be primarily led by the Business Planning and Development Service, it's success will be reliant on the support of all staff within the organisation.

We will also be working closely with other public and voluntary sector partners as we review and change the way that public services are delivered in Cornwall.

Our Finance Strategy is made up of four strategic aims:



Over the next few pages, each of these will be presented as follows:

- The **strategic aim** describes what we are going to do to support the overall Council Strategy.
- The **rationale** explains why this is important and describes the current context.
- The activities explain **what we will need to do** or put in place to achieve our strategic aims.
- Lastly, we will set out **how we know we've been successful**.

Strategic aim:

Creating a financially sustainable and resilient Council that operates within its means

The rationale...

We anticipate further government funding cuts of more than 30% from 2015-19. We need to ensure services have the resources to deliver their required outcomes while maintaining a balanced budget overall.

To protect and maintain our services, we need to maximise our revenue raising capacity and reduce our reliance on government funding. Wherever possible savings will be delivered through efficiencies. This may involve new ways of working that require additional investment, and we need to maintain financial capacity and flexibility to provide time for services and restructuring to be put in place.

We will achieve our aim by...

- Taking a medium term approach to financial planning that delivers robust and recurrent savings to provide a stable, sustainable and balanced budget.
- Increasing council tax levels annually up to the limit in the referendum threshold principles, and for an additional 2% "Adult Social Care Precept" for additional spending within Adult Social Care.
- Maximising income generation by taking a more commercial approach to service delivery and trading models, including charging discretionary services at full cost.
- Providing sustainable options for moving to a model of fully retained business rates.
- Strengthening the Council's financial position through schemes that deliver revenue savings or generate income.
- Taking full advantage of the 2020 European Growth Programme to promote Cornwall's economic development and regeneration.
- Reviewing reserves annually as part of the budget setting process to maintain a prudent level of reserves.

Strategic aim:

Maintaining a culture of robust budget management and financial control

The rationale...

We are accountable for the way we spend public funds. We need sound financial management policies and controls to ensure resources are used economically, efficiently and effectively. We must also ensure public money is safeguarded and properly accounted for and that things are done legally and to proper standards

Our saving targets are significant. To manage within approved budgets, directors and budget managers need to demonstrate strong financial management to continue to deliver excellence and ensure we make best use of our resources.

We will achieve our aim by...

- Providing a framework for managing the Council's financial affairs through the [Constitution](#) and [Financial Regulations](#).
- Providing training and information in the financial skills and competencies officers and Members who are accountable for finance need to carry out their roles effectively.
- Establishing clear budget responsibility and accountability and recognising budget management as an essential part of good management.
- Managing budgets and contracts with four year service targets so managers can carry out long term service planning.
- Monitoring economic forecasts to ensure impacts on our business rates and council tax base, collection levels and capital receipts are understood and reflected in our funding assumptions.
- Monitoring delivery of savings as part of the budgetary control procedures.
- Producing regular financial performance reports for Cabinet so they can hold directors accountable where budgets are overspent.
- Collecting all income we are owed promptly and to taking effective and appropriate recovery action over non-payment.

Strategic aim:

Working in partnership and integrating with the wider public sector to ensure public spending in Cornwall is managed as efficiently as possible

The rationale...

The Cornwall Deal will change the way public services operate in Cornwall, and our governance and financial management arrangements need to change to reflect this.

The Council is only one part of Cornwall's public sector. To ensure public funds and resources are managed efficiently across Cornwall, we need to work with our public sector partners and where agreed move towards integration. This will maximise the available resources for the wider benefit and provision of public services to Cornwall.

We will achieve our aim by...

- Integrating services to create a joined up public sector for Cornwall, including health and social care integration, a single sector budget and co-location of services as part of one public estate.
- Maintaining access to services and assets by devolving them to local councils and community groups.
- Ensuring the costs, benefits and risks of any partnership working are fully assessed, that governance and reporting arrangements are appropriate and that there are financial arrangements to safeguard the Council's interests.
- Working with public and voluntary sector partners to improve efficiency and maximise investment in Cornwall by match funding.

Strategic aim:

Optimising our financial resources to deliver the Council's strategy and provide excellent value for money

The rationale...

Given our financial pressures, to deliver the highest priority areas in the Council's Corporate Strategy and Business Plan we must deliver services in the most economic, efficient and effective way possible. We must also prioritise our revenue and capital resources.

We will achieve our aim by...

- Monitoring local government funding and lobbying government to ensure Cornwall's interests are represented.
- Providing an open and transparent budget process that ensures budgets reflect the Council's strategies and focus resources on the highest priority areas.
- Protecting service delivery by making savings through improved productivity, efficiency and income generation.
- Rationalising our assets and disposing of those that are no longer required.
- Maximising inward capital investment by match funding EU funded projects by up to £60m.
- Scrutinising and challenging all significant planned investment to ensure projects are consistent with the Council's Capital Strategy.
- Maximising our financial returns via active treasury management, within the boundaries in the Council's Annual Treasury Management Strategy.
- Buying goods and services in line with the Council's Commercial Strategy to improve value for money, improve services and promote the local economy.
- Providing commentary on the financial implications, compliance and value for money of all decisions to be taken by the Council or Cabinet.

How will we know we've been successful...

- Providing commentary on the financial implications, compliance and value for money of all decisions to be taken by the Council or Cabinet.
- Our medium term budget will be set within acceptable tolerance.
- Our long term debt levels will be affordable under the statutory prudential framework.
- Our Sundry Debt levels will be actively monitored and kept under control, comparable to other similar unitary authorities.
- Scrutiny Management Committee will review and ratify the budget process annually.
- There will be regular, transparent performance reporting to Cabinet and Policy Advisory Committees.
- Saving plans will be monitored as part of the Council's Integrated Performance Monitoring Report.
- Our external auditors will provide a true and fair view of the Council's financial position.
- We will receive a positive external audit opinion on value for money when our Annual Statement of Accounts is reviewed.
- We will maintain the Council's AA+ credit rating, subject to fundamental shifts in local government funding.
- We will successfully implement schemes that delivery long term savings or income.
- We will maintain a prudent level of reserves.

Summary

- The Finance Strategy sets out our approach for managing the Council's financial resources from 2016 and ensures sound governance and compliance with best practice.
- The Finance Strategy outlines the ways the Council's financial management arrangements will need to change as a result of reduced government funding and increasing demands for our services.

If you would like this information in another format please contact:

Cornwall Council
County Hall

**Treyew Road
Truro TR1 3AY**

Telephone: **0300 1234 100**

Email: **enquiries@cornwall.gov.uk**

www.cornwall.gov.uk