

REPORT ON THE REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2015/16 - 2018/19 AND THE CAPITAL PROGRAMME 2015/16 - 2019/20

Report of County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

That the Cabinet considers the specific recommendations in Appendices A to J of this report. In summary, these are:

- 1) Have full regard to the responsibilities placed upon the Council in the exercise of its Public Sector Equality Duty under s149 of the Equality Act 2010 (as set out in the 'Budget 2015/16 Impact Assessment', and specific impact assessments undertaken as part of the budget's preparation) in considering the proposals and their impact, before making a decision;
- 2) Have regard to the views of the Council's Scrutiny Committees, the Devon Education Forum, the Business Community, the Voluntary Sector, and the Trades Unions and other consultees on the budget (set out elsewhere on the agenda);
- 3) approve the budgets (detailed booklet attached) within the targets set, and other changes agreed at this meeting;
- 4) determine and recommend to Council the Net Budget and Council Tax requirement;
- 5) determine the precepts required from each District Council and the levels of County Council Tax for each of the eight property valuation bands consequent upon the budget as amended by adjustments in collection in the current year;
- 6) consider recommending those precepts and taxes to Council;
- 7) note the Medium Term Financial Strategy for 2015/16 to 2018/19;
- 8) note the risk assessments set out in Appendix E and in particular, the risks associated with containing costs and maintaining service provision against a background of significant budget reductions;
- 9) take account of the risks outlined in Appendix E in determining the final service budgets, levels of reserves and Council Tax figure to be recommended to the Council;
- 10) note the report on balances and earmarked reserves;
- 11) recommend to the Council the Capital Programme for 2015/16 of £120.206 million and its financing as shown in Summary Tables B and C of Appendix G;
- 12) Approve, for planning purposes, the indicative Capital Programmes for 2016/17, 2017/18, 2018/19 and 2019/20 shown in summary Table C below. These levels

will be reviewed in the light of the overall level of revenue and capital resources available to the Council for each year

- 13) recommend to the Council the Prudential Indicators for 2015/16 to 2019/20 contained in Appendix H;
- 14) recommend to the Council the Minimum Revenue Provision Strategy set out in Appendix H;
- 15) recommend to the Council that it adopts the Treasury Management & Investment Strategy for 2015/16 as set out in Annex 1 of Appendix I;
- 16) delegate to the County Treasurer the authority to effect movements between the separately agreed limits for borrowing and other long term liabilities;
- 17) Approve that changes to charges in relation to inflationary increases be agreed by the Cabinet Member in consultation with the Treasurer;
- 18) approve the increase of post 16 transport fees from September 2015 and for these fees to be reviewed on an annual basis; and
- 19) Approve that changes to charges within Place Services be agreed by the Cabinet Member in consultation with the Treasurer.

This report covers the budget for 2015/16, together with an assessment of the adequacy of reserves, a range of prudential indicators concerning the financial implications of the capital programme and an assessment that identifies risks associated with the budget strategy, together with how these risks will be managed.

The following information is presented for consideration:

Appendix A	Specimen Statement on Robustness of Budget Estimates and adequacy of the County Council reserves;
Appendix B	Revenue Budget 2015/16 & Medium Term Financial Strategy to 2018/19;
Appendix C	Summary Revenue Budget 2015/16;
Appendix D	Medium Term Financial Strategy 2015/16 - 2018/19;
Appendix E	Risk Analysis of Volatile Budgets;
Appendix F	County Fund Balance and Earmarked Reserves for 2015/16;
Appendix G	Capital Programme 2015/16 - 2019/20;
Appendix H	Prudential Indicators 2015/16 - 2019/20;
Appendix I	Treasury Management; and
Appendix J	Fees and Charges.

Members are asked to consider each part of this consolidated budget report and the recommendations contained therein.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries: Mary Davis

Tel No: (01392) 383310

Room 199

Background Paper

Date 6th February 2015 File Ref Nil

Detailed Budget Working Papers

Cabinet Member: Councillor John Clatworthy

Statement on the Robustness of the Budget Estimates and the Adequacy of the County Council's Reserves

Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer to make a report to the Council when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act reserves includes general balances). The Act requires the Council to have regard to the report in making its decisions.

The preparation of the budget for 2015/16 has been set by the detailed assessment of the risks associated with each budget and the goals and objectives of the County Council. A number of budgets can be classified as high risk because they are subject to external demands which are difficult to manage. Other budgets are affected by above average inflation, strong market forces or other factors not easy to predict. Details of these budgets, the level of risk they present and the action taken to mitigate the risk can be found in Appendix E.

It has been necessary to make significant and far reaching budget reductions to meet the targets set by the Cabinet. Details of the reductions have been provided to Scrutiny Committees and are contained in the detailed budget booklet.

The availability of general balances to meet any unforeseen liabilities and provide flexibility during a period of change is a key element of prudent financial management. General balances for 2015/16 have been set at £xx millions. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided in Appendix F

In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2016 is estimated at £xx millions.

The total for revenue reserves and balances for 2015/16 is forecast as £xx millions. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2014/15 provides an indication of the pressures facing the authority in 2015/16. In 2014/15 a number of demand led budgets have been under pressure, and this has required compensating actions to be taken elsewhere in order to ensure that overall the County Council's spending is forecast to remain close to the budget total. Further action has been taken to either ensure that there is sufficient provision within the 2015/16 budget to meet service demands or review service delivery so as to remain within the budget available.

It is my view that the budget proposed by the Cabinet represents a sound and achievable financial plan for 2015/16. The total level of reserves and balances of £xx millions has been based on a comprehensive risk assessment and is judged adequate to meet all reasonable forecasts of future liabilities.

Mary Davis

REVENUE BUDGET 2015/16

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

It is recommended that Members:

- a) Have full regard to the responsibilities placed upon the Council in the exercise of its Public Sector Equality Duty under s149 of the Equality Act 2010 (as set out in the 'Budget 2015/16 Impact Assessment', and specific impact assessments undertaken as part of the budget's preparation) in considering the proposals and their impact, before making a decision;
- b) Have regard to the views of the Council's Scrutiny Committees, the Devon Education Forum, the Business Community, the Voluntary Sector, and the Trades Unions and other consultees on the budget (set out elsewhere on the agenda);
- c) approve the budgets (detailed booklet attached) within the targets set, and any other changes agreed at this meeting;
- d) determine and recommend to Council the Net budget and Council Tax requirement;
- e) determine the precepts required from each District Council and the levels of County Council Tax for each of the eight property valuation bands consequent upon the budget as amended by adjustments in collection in the current year; and
- f) consider recommending those precepts and taxes to Council.

Background

2015/16 is a watershed year. It is sandwiched between four years of funding reduction that was signalled by the Government's first Comprehensive Spending Review announced in October 2010 and a new funding regime that will be brought in by the new Government when it is elected in May. 2015/16 is also the second year of a two year funding settlement. In the summer of 2013 it was made plain that government funding would reduce considerably more than previously announced. Hence, in order to balance the 2015/16 budget it has been necessary to find savings of nearly £46 millions. This is more savings than were needed for 2012/13 and 2013/14 combined and is a figure only exceeded by the reduction of £55 millions required in 2011/12, the first year of the CSR period. The reductions required to meet spending targets for 2015/16 are set out in the pages that follow.

Revenue Expenditure

Detailed budgets have now been produced within the parameters set by Cabinet in December 2014 and ratified in January; these are shown in the attached booklet. The budget pages also show the reduction in budgeted staff numbers on a service by service basis.

The service budgets detailed in the attached booklet and summarised in Appendix C total £437.7 millions. In summary, these budgets have been increased by just over £8

millions to help fund demographic growth and demand pressures. A further £11.7 millions has been added to allow for inflation. The budget has been balanced by a programme of savings and efficiencies of just under £46 millions.

The targets set for each service area have aimed to reflect the priorities of the Council. If the 2015/16 budget is compared with 2014/15 then Corporate services has had the largest percentage reduction of 7.8%. This reflects the Council's desire to have efficient, streamlined back-office services and also compensates for the smaller reductions in previous years against these budgets when corporate staff have been needed to help support change programmes in service areas. Conversely, People Services has the lowest reduction of just over 5%. This reflects the Council's aim to try to protect services for the more vulnerable. However, demand and cost pressures continue to place these budgets under great financial strain.

Over the four year period 2011/12 to 2014/15 the Council has had to make reductions of nearly £127 millions. Each year it becomes more difficult to make savings. Hence many of the budget reductions required for 2015/16 are being found through more radical change programmes and service re-configuration. This degree of change comes with risk. The risks associated with the delivery of the 2015/16 budget and the mitigating action needed to try to contain that risk are detailed in Appendix E.

Revenue Expenditure - Other items

Appendix C also shows the estimated level of spending on other items such as Capital Financing and Interest on Balances. These items are held centrally and not distributed to service budgets. Capital Financing charges are dependent on the Council's Capital Programme explained in Appendix G. Factors that influence the income gained from our balances are set out in Appendix I that explains the Council's Treasury Management Strategy.

Another centrally held item is the budget for dealing with the issue of a projected pension deficit. As the Council downsizes and its staff numbers reduce, this puts a greater pension strain on those staff that remain. The Devon Pension Fund has recognized this and has for the last two years given employers not just a contribution based on a percentage of salary but a fixed monetary contribution that would be required to lessen the deficit on the Devon County Council part of the Pension Fund increasing. A large element of this figure is the estimated extra funding that is required so that the County Council pays to the Pension Fund the required level of contribution. The other component is the Council making provision for potential financial impact of risk sharing for out-sourcing arrangements.

Revenue Income - Funding from Central Government

Appendix C also shows how the Council's net budget is funded with just under 40% coming from Central Government. The Secretary of State for Communities and Local Government announced the Provisional Local Government Settlement for 2015/16 on 18th December 2014. In previous years the Government has provided two or even three years of indicative funding; unfortunately this year only one year's information has been received making medium term planning particularly challenging.

The Final Settlement of £179.789 millions was received on 4th February this is £871,000 more than the Provisional Settlement received in December. The additional income is Devon's share of £74 millions that has been added to Upper Tier Funding nationally 'to recognise that councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision'.

Revenue Income - Council Tax

The Council is required to set a Council Tax for each property band. This will need to be notified to each District Council for them to include in the billing process. Members are required to recommend a tax level to the Council.

District Councils have now reported their final tax base and surpluses/deficits on collection. The level of tax collection surplus attributable to the County Council is an estimated £3.754 millions. Surpluses serve to reduce the council tax implications of any given spending level, but only on a one-off basis. They cannot be relied on for future years or to fund on-going expenditure.

The Government would like Council Tax levels to be frozen in 2015/16. Compensation will be paid to authorities who comply with this request. The compensation will be equivalent to 1.0 per cent of council tax and will amount to £3.412 millions for the County Council. The Government has indicated that the 2015/16 Council Tax freeze grant will be built into the baseline but this cannot be guaranteed once a new government comes into power.

Revenue Income - Specific Grants

The Council not only receives formula grant but also specific grants that relate to specific activities and these are detailed in Annex 2 to Appendix D. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2015/16 the Dedicated Schools Grant has increased to £465 millions from £440 millions. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Reserves and Balances

Members need to endorse the level at which general balances and earmarked reserves should be maintained. Appendix F explains the Council's strategy for its reserves and balances. It is recommended that general balances are maintained at or above £14 millions. A detailed risk assessment has been completed which demonstrates that residual risk after mitigation, falls below this level.

As part of last year's budget setting a fundamental review was undertaken into the authority's approach to managing its earmarked reserves. Appendix F reaffirms this new approach and sets out the current level of reserves and anticipated future levels.

Funding for 2016/17

Unlike previous years there are no figures for government funding after 2015/16. There is no recollection of when this last occurred. Prior to the previous election it is thought that there were indicative funding figures that were initially used but were then changed mid-year by the incoming government. The absence of funding information makes financial planning very difficult. However, if exact or even approximate figures are not known then we do know the direction of travel and that the outlook for Local Government continues to look fairly bleak. The Medium Term Financial Strategy (Appendix D) explores this more fully. It gives a more detailed breakdown of expenditure and income levels over the period 2015/16 to 2018/19 and sets out the challenge that lies ahead.

Conclusion

It has been challenging to set the 2015/16 Budget. Delivery of the 2015/16 budget will be even more challenging. The cumulative impact of the cuts required over the four year CSR period increases the risks of overspending and robust financial management will be required throughout the year. The Council's reserves are adequate but, unlike the reserves of some Councils, they do not provide us with a large financial cushion against uncertainty. The financial position for 2016/17 is very uncertain both in terms of government funding levels and the financial impact of the Care Act. This means that the next two financial years are going to be very challenging and to get through them we will need to continue to think creatively and flexibly about the services we provide and how we provide them.

SUMMARY REVENUE BUDGET 2015/16

2014/15 Adjusted Budget £000	Changes £000	2015/16 Budget £000
471,803 Schools	21,739	493,542
(471,803) Dedicated Schools Grant	(21,739)	(493,542)
313,496 Non-schools	(16,117)	297,379
313,496 People Services	(16,117)	297,379
108,248 Place Services	(7,077)	101,171
42,432 Corporate Services	(3,291)	39,141
4,200 Pension Contribution Shortfall	940	5,140
468,376 TOTAL SERVICE BUDGETS	(25,545)	442,831
Other budgets		
53,569 Capital Financing Charges	21	53,590
7,424 PFI Financing Charges	0	7,424
(839) Interest on Balances	(100)	(939)
250 Revenue Support for Flood Prevention Works	0	250
1,364 Adoption Reform and Special Educational Needs	(931)	433
329 Council Tax Support Partnership	21	350
0 Implementation of the Care Act	5,843	5,843
0 Independent living Fund	2,340	2,340
0 Child Sexual Exploitation Review	120	120
0 Dartington School	2,000	2,000
0 New Burdens Resillience	3,000	3,000
0 Bellwin Scheme Related Emergencies	1,500	1,500
7,723 Spending from Reserves	53	7,776
Payments made to Outside Bodies		
383 Environment Agency - Flood Defence	38	421
330 Inshore Fisheries and Conservation Authority	0	330
Reserves and Balances		
(7,723) Use of Reserves	(53)	(7,776)
(653) Transfer from Budget Management Reserve		
0 Contribution to Transformation Reserve	2,500	2,500
Other Grant Income		
(1,364) Adoption Reform and Special Educational Needs Grant	931	(433)
(970) Business Rates Cap Compensation Grant	(390)	(1,360)
0 Implementation of the Care Act Grant	(5,843)	(5,843)
0 Independent Living Fund Grant	(2,340)	(2,340)
(8,550) Education Services Grant	2,130	(6,420)
(875) Local Service Support Grant	202	(673)
(3,134) New Homes Bonus	(1,130)	(4,264)
(318) New Homes Bonus Adjustment Grant	10	(308)
(1,524) Small Business and Empty Property Rate Relief Grant	(1,524)	(1,588)
513,798 NET BUDGET (BUDGET REQUIREMENT)		
Financed by:		
(116,205) Revenue Support Grant	29,584	(86,621)
(70,173) Business Rates Retention Scheme Top-Up	(1,341)	(71,514)
(21,303) Business Rates Retention Scheme Local Element	(389)	(21,692)
994 Collection Fund Deficit - Business Rates Retention Scheme	(12)	982
(1,181) Collection Fund Surplus - Council Tax	(2,968)	(4,149)
305,930 COUNCIL TAX REQUIREMENT		

Medium Term Financial Strategy 2015/16 – 2018/19

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations

It is recommended that Members note the Medium Term Financial Strategy for 2015/16 to 2018/19.

Introduction

The Medium Term Financial Strategy has been developed to ensure that the Council prioritises its resources to support the achievement of its strategic objectives. The impact of the Comprehensive Spending Review (CSR) published in October 2010 and the Autumn Statement published in December 2014 are reflected in the forecast financial planning levels that follow. The challenge of estimating future funding levels has been exacerbated this year by the Government's decision to publish funding figures for 2015/16 only rather than two or three years figures we have received in the past.

Looking Back - The Comprehensive Spending Review

The Government's Comprehensive Spending Review (CSR) in 2010 set in motion a programme of significant reductions in local government funding. In 2010 the expectation was of a four year programme from 2010/11 to 2014/15 that would see a reduction in local government core funding of 27% in real terms. Over this period the County Council's actual funding reduced by £80 millions, 27%, in cash terms which is closer to 40% in real terms. With inflation, demographic and demand pressures this translated into savings in council services of £128 millions.

To deal with this level of savings the authority has:

- Saved £90 millions through a root and branch review of services;
- Undertaken vacancy management that froze external recruitment. Core staffing reduced by 33% over the CSR period;
- Rationalised our estate, reduced capital spend and halted external borrowing so that capital financing costs can be contained;
- Reduced management costs by 25% and introduced a leaner, flatter structure; and
- Worked in partnership with other organisations to provide services in a different way.

Where we are now - 2015/16

2015/16 although beyond the four year CSR period sees not only a continuation of cuts to our funding but an acceleration. The authority's core funding from Government for 2015/16 has, compared to 2014/15, reduced by almost £29 millions (14%). This level of cut on top of those already experienced is a significant challenge for the authority.

The Government continues to quote 'spending power' as its measure of year on year funding change. The way in which 'spending power' is calculated does not give a true

indication of the way Government Grant has diminished because it includes some redirected NHS money and council tax revenues. As a result it understates the real level of grant reduction and is discredited at both a local and national level.

Specific Grants

The Council not only receives core funding from Government but also specific grants that relate to specific activities and these are detailed in Annex 2 of this Appendix.

The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2015/16 the Dedicated Schools Grant has increased to £465 millions from £444 millions. The introduction by the DFE of a new Minimum Funding Level from 2015/16 as part of the move towards a national funding formula saw Devon receive an additional £16m, with other changes related to an increase in pupil numbers from aged 3 to 16+. The MTFS assumes that school budgets will continue to relate directly to the level of DSG funding in future years.

The Public Health grant is unchanged for 2015/16 at £22.060 millions. In October 2015 commissioning responsibility for the Health Visitor Service transfers to the Council from NHS England. A grant of £4.5 millions has been awarded to the authority for this purpose.

Council Tax

The Tax Base for 2015/16 has increased by 1.6% mainly due to increases in new homes being built. This increase to the tax base not only benefits the current year but secures council tax revenue for the future. The other element of Council Tax, in addition to the council tax precept itself, is the surplus or deficit achieved by the Devon District Councils on their Collection Funds. The overall surplus for 2015/16 is £4.149 millions compared to £1.181 millions for 2014/15. Unlike the tax base increase this additional income is a one off windfall and does not form part of future funding.

What's New for 2015/16?

The Better Care Fund

A significant change for 2015/16 is the introduction of the Better Care Fund. This is a pooled budget of £59.7 millions that is administered by the Council but which is shared between the council, NEW Devon CCG and South Devon and Torbay CCG. Its objective is to integrate social care with health care and achieve better outcomes for people whilst at the same time producing efficiency savings for both health and local government sectors.

We are committed to the programme of change and the approach builds on existing strong relations at strategic level as well as practical work on the ground in our integrated teams. However we have to also recognise that the health organisations and the Council are under financial pressure and that there are particularly strong financial challenges within the area of the North East and West Devon CCG. The risk of partners being under financial challenge is threefold; firstly there is a need for vigilance to ensure that statutory responsibilities of different agencies are maintained in areas where budgets are not pooled; secondly, wider pooling itself is far more difficult if there is not enough money in total; and thirdly there is a risk that insufficient funding is freed in the short term to create the changes in service delivery that are needed in the longer term. In Devon, although the difficulties of working with partners across geographical and organisational boundaries should not be understated, we have good governance established and are actively seeking to align our approach not just with the two Clinical Commissioning Groups, but also with NHS provider organisations including the hospital trusts and other health providers.

There is currently no Government commitment to the Better Care Fund beyond 2015/16 it is however, highly likely that structures will remain substantially the same as the nature of the transformation required is such that it will take many years to fully embed. Our working assumption is that the arrangements for the Better Care Fund will continue into the foreseeable future, which brings with it an increasing need to align financial and service strategies for adult social care with those for the local health service.

Independent Living Fund

The Independent Living Fund (ILF) delivers financial support to disabled people so they can choose to live in their communities rather than in residential care. The Independent Living Fund will close on the 30 June 2015 and from this date the responsibility to meet the support needs of ILF users will transfer to Local Authorities.

The authority expects to receive funding under the governments new burdens doctrine but at the time of writing notification of the level of funding has not yet been received. An estimated grant figure of £2.3 millions has been included within the budget with a corresponding expenditure budget.

Implementation of the Care Act

The Care Act introduces far reaching changes to how social care is delivered and funded. Among other things, it contains the Government's response to the Dilnot report on the funding of care, introducing both a cap on the lifetime cost of care that anyone has to pay (from April 2016) and changes to the thresholds at which people are expected to contribute to their care. It also introduces national minimum eligibility criteria for care and new rights for carers to have their needs assessed and supported, and new duties to meet the social care needs of people in prison.

The most significant long term financial impacts will be those that stem from the changes to the funding of care, which will take effect from April 2016, although people can come forward for a care assessment from October 2015. The impact of the cap on care is both highly uncertain and long term. More immediately, we will need to plan for the cost of assessing the needs of many more people and also their financial position.

New burdens funding of £5.843 millions has been provided by the Department of Health for the immediate purposes of implementation in 2015/16 and a further £2 millions is provided from the Better Care Fund for these purposes. Both elements are incorporated within the 2015/16 budget.

Strategic Plan and Operating Model

Better Together is the authority's new vision document which presents a set of desired outcomes for Devon and proposes a new partnership with citizens and communities. Everything we do will help to deliver those outcomes, alongside individuals, families and communities. The vision is supported by a new operating model.
www.devon.gov.uk/bettertogether

An operating model describes how an organisation works; its structure processes and culture. Our new operating model will leave the conventional local authority model behind. We will organise ourselves around people rather than functions, focus on causes before consequences and concern ourselves more with outcomes than outputs.

This new operating model will help ensure that the vision can be achieved with limited government funding, and that outcomes are sustained and improved in the longer term.
www.devon.gov.uk/operating-model.pdf

As the operating model becomes more developed it will shape the savings strategies that support the budget.

Looking Further Ahead - The Medium Term

The most significant risks in the medium term are in relation to the level of funding the authority receives from central government; the cost of fulfilling the requirements of the Care Act; and the ongoing risks noted above associated with operating the Better Care Fund Pooled Budget in partnership with NEW Devon Clinical Commissioning Group that is classified as a 'health community in distress'.

Future funding

The General Election due in May makes 2015/16 a watershed year; we have reached the end of the CSR period but as yet have no firm indication of what the new Government's future plans will be. Each of the main political parties is indicating a continuation of cuts to public sector spending; and if protection continues for Education and Health budgets the future of local government funding appears bleak.

The provisional settlement received in December 2014 and the final settlement in February 2015 were for 2015/16 only. Normal procedure is for indicative funding or settlement figures to be provided for the following year or two. It is assumed that the curtailment of information this year is due to the General Election. Despite this lack of information from the Government a medium term financial strategy has been prepared based on professional judgements of future funding levels. These estimated funding levels will be reviewed and reassessed on an ongoing basis as information becomes available.

The Chancellor's Autumn Statement published in December confirmed that austerity measures are likely to continue for the foreseeable future. There are concerns nationally that the level of cuts year on year could increase beyond the level previously anticipated.

It is mooted that by 2019/20 support to Local Government through Revenue Support Grant (RSG) will reduce to nil. RSG in 2015/16 is just under £86 millions.

The reduction in Revenue Support Grant could be partly offset by a buoyant and growing tax base. Over the past few years Devon has gained financial benefit from increased house building and this looks set to continue over the medium term planning horizon.

It is not easy to predict when this period of austerity will end and the economy set firmly on the road to recovery. Interest rates may not pick up for another few years and economy recovery still seems faltering as opposed to certain. Even when the economy does start to pick up the immediate impact on the Council may not be wholly beneficial. There may be a lag of a one or two years during which the Council has to deal with higher wage costs, increased waste tonnages etc without feeling the benefit of economic recovery from, for example, higher interest rates or a reduced need for services.

Annex 1 of this appendix sets out our revenue estimates of expenditure and income over the next four years.

The Annex shows that significant action is required to bridge the estimated funding gaps identified for 2016/17 onwards.

Meeting the Challenge

The table below shows for 2015/16 to 2018/19 the level of savings required to meet inflationary and demand pressures and the cash reduction required to balance the budget.

	Own inflation & pressures £000	Cash reduction £000	Total £000
2015/16	(19,991)	(25,945)	(45,936)
2016/17	(19,260)	(15,299)	(34,559)
2017/18	(16,778)	(11,591)	(28,369)
2018/19	(17,637)	(9,078)	(26,715)
	(73,666)	(61,913)	(135,579)

Fairer Funding

The Rural Services Network continues to research the differential in funding between rural and urban areas. This research shows that predominantly urban areas on average receive funding of £482.62 per head of population whilst their rural counterparts receive only £329.15; a difference of £153.47. The Government has recognised this inequality and has introduced additional funding for sparsely populated areas. For 2015/16 Devon County Council will receive an additional £1.73 per head of population which is not sufficient to address the inequality.

As detailed above School funding has been reviewed this year by the Department for Education and new minimum funding levels introduced. Although this has increased the funding for Devon's schools we still receive below average funding. If Devon's schools were funded at the average level we would receive an additional £23 millions per annum.

In 2016/17 the Public Health grant will be revised subject to a 'fair shares' formula which will be based on advice from the Advisory Committee on Resource Allocation. In 2015/16 the County Council will receive Public Health grant equivalent to £29 per head of population compared to a national average of £51. Funding at the average level would increase our funding by over £16 millions per annum.

Dealing with uncertainty

The greater complexity outlined above has resulted in a greater level of uncertainty and risk. To manage this uncertainty greater attention is focused on reserves and balances and budget risk management.

Reserves and Balances

Earmarked Reserves are projected to decrease over the next five years. There is limited provision to increase their level. A full review of the level of reserves has been completed recently in order to achieve a sustainable strategy for the future.

Earmarked reserves are held to meet the cost of the unexpected and where possible to contain budget overspending. As reserves diminish the facility to manage these events becomes more difficult.

Following the review of reserves for the 2014/15 budget and MTFs, apart from a few reserves which are required by statute, the only earmarked reserves retained are those to meet the cost of emergencies and service reduction and transformation, and ongoing budget management.

The level of earmarked reserves held by the authority is very low compared with other County Councils. In a recent analysis Devon's earmarked reserves were 19th lowest out of 25 County Councils. Ongoing budgetary constraints severely limit the authority's ability to contribute anything other than modest sums to the reserves. The table below shows the anticipated decline in future reserves:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Year End Balance	44,874	39,598	37,866	37,015	36,501

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.5 million of balances. The rationale for holding this level of balances is set out annually when the budget is prepared. In essence balances are held to contain service overspendings that cannot be met from earmarked reserves. They are regarded as a last resort means of retaining financial viability when earmarked reserves are exhausted and as such are irreducible.

Risk Management

The MTFS demonstrates how financial planning over the medium term enables the Council to invest in its priority services, and deliver its objectives within the resources available, whilst ensuring the sustainability of the Council's finances over future years.

The degree of certainty about assumptions and figures reduces in relation to future years, so it is vital that the council has the flexibility to manage the risks of reduced funding and growing costs and demands.

The Council is also budgeting to hold a suitable level of general balances, based on an assessment of the financial risks facing the authority. This is summarised in the above section on Reserves and Balances.

Service management teams have also identified strategies aimed at managing identified potential risks not currently budgeted for. These are summarised in the Risk Assessment section at Appendix E.

The mechanisms that have allowed the County Council to set prudent and achievable budgets in the past continue to operate. Known pressures and commitments are anticipated and the risk of overspending minimised. The level of risk is below the level of balances currently held, which is therefore deemed to be at an appropriate level. The level of balances and reserves will be reviewed on an ongoing basis.

Whilst many budgets carry a low level of risk, assumptions concerning demand led services can prove to be inaccurate. Where overspending occurs, directorate monitoring procedures allow it to be identified and addressed at an early stage. These procedures may not be sufficient to mitigate all risk and a residual risk is recognised.

There are risks surrounding the local element of Business Rates. If collection in year is less than anticipated an adjustment to represent the collection deficit will be made by the District Councils in the following year.

There are also risks that the demand for Council Tax Support is greater than estimated by the District Councils. If the impact is significant the District Councils could make an in-year adjustment to reduce the Council's council tax income.

Anticipation of future demand and cost uncertainties are further mitigated by establishing earmarked reserves and drawing them down as need requires. This approach has been successful to the extent that no call has been made on balances for a number of years even though gross revenue spending is in excess of £1 billion per annum.

Capital Strategy and Borrowing

The Capital Programme is managed over a five year period to invest in assets to support achievement of the Council's Priorities. Management of the programme uses prudential indicators to assess the revenue costs of the Capital Programme and ensure that they are prudent, affordable, and sustainable.

The Capital Programme is funded by a combination of receipts from the sale of assets, external grants and contributions, funding from school revenue budgets and borrowing from internal resources. An outline of the Capital Programme by service and the funding of the programme is shown in Appendix G.

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without incurring a financial penalty. Capital expenditure new starts have been limited to those that were financed from sources other than borrowing.

This strategy has worked well in a period of austerity. The Council's external borrowing level has reduced by £102 millions to £508 millions from 2008/09, whilst budgeted Capital Financing Charges have reduced from £56.9 millions in 2011/12 to £53.6 millions in 2014/15. However, recently there have been indications that it may be time to review if not change this policy, whilst interest rates are historically low.

The Council's Treasury Management strategy should balance demand with cash flow and affordability. A review of each of these components was undertaken and it was found that the current Medium Term Capital Plan will see the cash levels increase probably beyond what is required to facilitate some early repayment of loans and there is therefore some flexibility in the future but not at the current time. There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its budget in the coming years and it was difficult to see how significant additional borrowing could be financed.

However, the need to invest in Capital has been recognised. Consequently, a process to identify the highest priority schemes across the Authority has been undertaken and a programme of New Starts are being recommended within the capital programme, funded from Corporate Capital Receipts over the Capital Programme timescale.

Applying Capital Receipts as the funding source enables the capacity to undertake additional Capital investment without the adverse impact of creating additional capital financing cost burdens on the Revenue budget or adversely affecting the authority's cash balances. This presents an element of risk. If required receipts are not generated, other capital funding sources will need to be identified to finance required capital spending at the approved level.

Opportunities to reduce external debt will be monitored. Under their current policy the Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. With current low rates of interest this has represented a significant cost which would impair the benefit of repayment. There may be an opportunity to repay around £19 millions over the next couple of years as interest rates rise, but the availability of cash mean that the ability to repay more than this small proportion of the Council's external debt will be limited.

The Council is required to set aside on an annual basis a prudent amount that reduces the borrowing over the period of the asset life, and must also fund interest on its debt from the revenue account. The overall level of debt for capital financing and the impact on the revenue account is shown in Table 6 of Appendix G.

What is affordable in terms of borrowing costs has been determined as 12% of net revenue streams.

The 12% threshold will not be exceeded in the foreseeable future. The position in relation to the 12% threshold will continue to be monitored. It will only be put under pressure if large schemes requiring significant borrowing are approved or there are large reductions in existing revenue streams.

Conclusion

Ongoing austerity and the ever deeper cuts to local government funding have made the setting of the medium term financial strategy very difficult for the last four years. This year's strategy is undoubtedly the most difficult yet. The authority is faced with significant changes in the area of adult social care with the introduction of the Better Care Fund and the Care Act. This in itself is challenging enough but when coupled with the total lack of future funding information makes medium term planning almost impossible.

What is clear is that future local government funding will continue on a downward trajectory for the foreseeable future. What we don't know at this time is the speed or scale of the decrease.

Following the national elections in May a fundamental review of public sector spending, similar to the comprehensive spending review of 2010, is expected. The Medium Term Financial Strategy will undoubtedly need to be modified when the outcome of this is known. The modification could be significant.

Appendix D Annex 1

Budget 2015/16 and Forecast to 2018/19

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
People Services (excluding DSG)	297,379	289,210	282,227	276,538
Place Services	101,171	97,096	93,743	91,263
Corporate Services	39,141	36,086	34,831	33,922
County Council Election	0	0	1,500	0
Contingency National Insurance	0	3,100	3,100	3,131
Pension deficit funding	5,140	5,710	6,210	6,710
TOTAL SERVICE BUDGETS	442,831	431,202	421,611	411,564
Other Budgets				
Capital Financing (net)	60,075	59,674	57,054	56,354
Revenue Support for Flood Prevention Works	250	250	250	250
Implementation of Care Bill	5,843	0	0	0
Independent Living Fund	2,340	2,820	2,650	2,491
Council Tax Support Scheme Partnership	350	350	350	350
Special Educational Needs	433	0	0	0
Child Sexual Exploitation Review	120	120	120	120
Dartington School	2,000	0	0	0
New Burdens Resilience	3,000	0	0	0
Bellwin Scheme Related Emergencies	1,500	0	0	0
Payments Made to Outside Bodies	751	793	839	890
Transfers to/from Reserves and Balances	2,500	5,000	5,000	5,000
Other Grant Income				
Business Rates Cap Compensastion Grant	(1,360)	(1,360)	(1,360)	(1,360)
Small Business and Empty Property Rate Relief Compensation	(1,588)	(1,620)	(1,652)	(1,685)
Business Rates Reliefs Compensation				
Care Act- Dilnot New Burdens	(5,843)	0	0	0
Independent Living Fund (ILF)	(2,340)	(2,820)	(2,650)	(2,491)
Special Educational Needs Grant (SEND)	(433)	0	0	0
Education Services Grant	(6,420)	(5,816)	(5,525)	(5,249)
Local Service Support Grant	(673)	0	0	0
New Homes Bonus	(4,264)	(4,801)	(5,001)	(4,894)
New Homes Bonus Adjustment Grant	(308)	(300)	(300)	(300)
NET BUDGET (BUDGET REQUIREMENT)				
Financed by:				
Revenue Support Grant	(86,621)	(63,366)	(41,232)	(20,617)
Business Rates Retention Scheme Top-Up	(71,514)	(72,962)	(74,422)	(75,910)
Business Rates Retention Scheme Local Element	(21,692)	(22,126)	(22,568)	(23,020)
Collection Fund Surplus - Council Tax	982	1,000	1,000	1,000
Collection Fund Deficit - BRRS	(4,149)	(1,000)	(1,000)	(1,000)
COUNCIL TAX REQUIREMENT				
The Service Budget aboce include the following Savings				
Cash Reduction	(25,945)	(15,299)	(11,591)	(9,078)
Inflation & Pressures	(19,991)	(19,260)	(16,778)	(17,637)
	(45,936)	(34,559)	(28,369)	(26,715)

Appendix D Annex 2

Government Grants and Contributions	Funded by	2015/16	2016/17	2017/18	2018/19
		£'000	£'000	£'000	£'000
<u>People Services</u>					
Adult Social Care					
Local Reform Community Voices Grant Contributions	Department of Health Health and other local authorities	177 21,610	177 21,610	177 21,610	177 21,610
Children's Social Work and Child Protection					
Newly Qualified Social Workers / ASYE	Department for Education	26	26	26	26
Youth Offending Team	Youth Justice Board	332	332	332	332
Police & Crime Commissioner Grant	Office of the Police & Crime Commissioner	24	24	24	24
Unaccompanied Asylum Seekers Grant	Department of Health	61	61	61	61
Troubled Families Programme	Department for Communities & Local Government	1,689	1,689	1,689	1,689
Contributions	Health and other local authorities	1,312	1,312	1,312	1,312
Social Care Commissioning					
Local Reform Community Voices Grant Contributions	Department of Health Health and other local authorities	305 383	305 383	305 383	305 383
Education and Learning - Dedicated Schools Grant					
Dedicated Schools Grant*	Department for Education	460,401	460,401	460,401	460,401
Early Years - Disadvantaged 2 Year Olds**	Department for Education	5,175	5,175	5,175	5,175
Post 16 Funding	Department for Education	5,275	5,275	5,275	5,275
Pupil Premium	Department for Education	22,691	22,691	22,691	22,691
Contributions	Health and other local authorities	467	467	467	467
People Services Total		519,928	519,928	519,928	519,928
<u>Place Service</u>					
Economy and Enterprise					
FABLAB (Fabrication Laboratory) project	Other	8	0	0	0
Economy and Enterprise					
Local Sustainable Transport Fund	Department of Transport	1,127	0	0	0
Natural futures	Heritage Lottery	84	77	85	0
Small environment projects	English Heritage	92	0	0	0
Areas of Outstanding Natural Beauty	DEFRA	291	0	0	0
Areas of Outstanding Natural Beauty	Other Local Authorities	73	73	73	73
Maritime project	Government Grants	5	0	0	0
Estuary and Biosphere projects	Other Local Authorities	54	54	54	54
Maritime and Fisheries projects	Other	30	0	0	0
South West Coast Path & County Parks	Natural England	105	0	0	0
Highways and Traffic Management					
ExeRail	Other Local Authorities	30	30	30	30
South West Coast Path & County Parks	Other Local Authorities	45	45	45	45
South West Coast Path & County Parks	Natural England	136	24	24	24
		2,080	303	311	226

Government Grants and support from	Funded by	2015/16	2016/17	2017/18	2018/19
<u>Place Service continued</u>		£'000	£'000	£'000	£'000
Services For Communities					
Learn Devon - Community Learning	Skills Funding Agency	2,155	2,155	2,155	2,155
Learn Devon - Adult Skills Budget (inc Loans Facility)	Skills Funding Agency	1,224	1,224	1,224	1,224
Learn Devon - 24+ Advanced Learning	Skills Funding Agency	31	31	31	31
Learn Devon - 14-19 EFA Funding	Education Funding Agency	76	76	76	76
Active Devon	Sport England	1,014	377	377	377
Active Devon	Other Local Authorities	7	0	0	0
Active Devon	Other	49	13	13	10
Citizens Rail	European Union	289	0	0	0
Citizens Rail	Other	195	0	0	0
Bus Service Operators Grant	Department of Transport	1,146	1,146	1,146	1,146
Trading Standards	Government Grants	100	100	100	100
Various small projects	Other Local Authorities	136	136	136	136
Transport contributions	Other	1,064	984	841	826
		7,486	6,242	6,099	6,081
Place Service Total		9,566	6,545	6,410	6,307
<u>Corporate Service</u>					
Private Finance Initiative	Department for Communities and Local Government	6,938	6,938	6,938	6,938
Private Finance Initiative	Exeter Diocesan Board	1,857	1,872	1,887	1,903
Public Health	Department of Health	22,060	31,078	31,078	31,078
0-5 Childrens Services	Department of Health	4,509	0	0	0
Corporate Service Total		35,364	39,888	39,903	39,919
Total Government Specific Grants		564,858	566,361	566,241	566,154

Where grants are expected to be ongoing, but figures are currently unavailable, it is assumed that the same level of grant will be received as in previous years. In these instances, grant funded expenditure plans will be modified to reflect the level of grant funding when confirmed.

*Due to uncertainties over how the Better Care Fund will be administered, this is currently not included.

RISK ANALYSIS OF VOLATILE BUDGETS

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

It is recommended that Members:

- a) Note the risk assessments set out in Appendix below and in particular, the risks associated with containing costs and maintaining service provision against a background of significant budget reductions.
- b) Take account of the risks outlined in this report in determining the final service budgets, levels of reserves and Council Tax figure to be recommended to the Council.

Background

As part of the budget-setting process, the County Council must consider the risks inherent in the budgets set and the adequacy of the measures put in place to manage those pressures. Members need to form a view on the adequacy of the level of reserves as a safeguard against unexpectedly high levels of demand being experienced in a number of volatile budget areas. The level of general balances is determined by the Council. A risk assessment has been undertaken of the main volatile budget areas, which follows this introductory page.

The most significant high-risk areas for 2015/16 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action include:-

- Social Care Commissioning; Care Act implementation; Personal Care, Better Care Fund, Adult Social Care; Children's Social Work & Child Protection; Education & Learning; Waste Management; Corporate Services and Public Health, with clear risks being identified.
- Directorate management teams have, however, identified a number of strategies aimed at mitigating the pressures as set out in the following pages.
- It is very important that active budget monitoring and management remains in place and is undertaken with a high level of professional discipline, so that net expenditure is contained within budget limits.

Risk Assessments

People

Service	Budget 2014/15 £'000	Risk and Impact	Mitigation
Social Care Commissioning and general risks across all services		<p>The change programme throughout People is engaged fully with the need to ensure budget savings (which total £32.111m in 15/16) are delivered.</p> <p>Throughout the budget there are a number of areas where there are financial assumptions which relate to decisions which will be taken during the course of the year.</p> <p>There are many strategies that are now advancing, but where the scale of change in implementation is likely to severely test the capacity of managers at different levels. This is generally an ambitious programme of far-reaching change in how we deliver and commission services, which affects managers at all levels. There are inevitably pressures on operational managers in particular to deliver the change that's needed while also keeping on top of day-to-day pressures of essential work that cannot be put off without risk to those who receive services.</p> <p>Several areas in education as well as social care commissioning for both adults and children, include savings which are predicated on contracts being renegotiated successfully and in time to achieve a full year effect.</p>	<p>The risk of the financial impact of a decision going outside the budget allocations cannot be avoided, since the financial constraint is only one element out of many that must be taken into account in reaching decisions on services that affect the public and vulnerable people.</p> <p>The change programme methods are well established and there is regular consideration by the Leadership Team for People as to whether resources are sufficient. Where necessary, resources to alleviate pressure will be brought in.</p> <p>Further mitigations are - good experience of successfully delivering change and an open discussion which includes acknowledgement of the efforts made by our workforce in delivering change while keeping things running, and importantly their understanding of the reasons for change.</p> <p>Considerable time in 2014/15 has been devoted to working in partnership with social care providers, and developing common understanding.</p> <p>Robust contract monitoring and early negotiations with providers are required in order to achieve savings targets and reduce overspending.</p>

Care Act	<p>£5,843 grant funding from DCLG + £2,000 funding from the BCF</p>	<p>The Care Act 2014 is landmark legislation which introduces a range of new duties for the Council which will impact across the organisation. The Council will need to sufficiently resource itself to discharge new duties and cope with the resultant demand for services.</p> <p>There is a risk that the total funding Devon receives is insufficient to fund the overall investment and resources needed to comply with the new legal duties and to cope with new unknown volumes of demand for Council services.</p> <p>Private individuals who up to now have funded their own care can present to the Council for assessment from 1st October 2015.</p> <p>The new duties with the highest financial risk for 2015/16 relate to Carers, and the introduction of new national social care eligibility criteria. The 2011 census records over 84,000 carers in Devon, which is one of the highest proportions in England. The new eligibility criteria comes into effect on 1st April 2015 with a financial risk that more individuals than under the current system become eligible for Council funded support. The effective demand levels and costs for meeting these new duties are uncertain but could exceed funding from central government.</p> <p>All Councils with social care responsibility will have to recruit additional social workers. The fact that this will happen at the same time across the country may make it impossible or extremely expensive to recruit sufficient qualified social workers to meet demand for assessments.</p>	<p>A dedicated corporate programme board with accountable work streams is already established to provide risk control and oversight to a process of robust demand modelling and financial costings based on best estimate planning assumptions.</p> <p>Representatives of the Council are fully engaged with regional and national groups jointly considering the impact of Care Act reforms.</p> <p>Demand profiles are being modelled to inform required staffing levels for the recruitment plan which will be structured to avoid sudden recruitment drives.</p> <p>A dedicated carer project team is in place, and has undertaken detailed demand forecasting and service scenario modelling.</p> <p>An expert social care practitioner team is considering the possible impacts of the new eligibility criteria for the Council.</p> <p>Decisions on the services which will be provided cannot however be determined by budget allocations. Finance is a constraint, but only one element among many that must be taken into account as the views of vulnerable people, carers, 3rd sector organisations and all other stakeholders must also be taken into account.</p> <p>DCC will expand its long running programme of social worker development and training as much as possible in order to effectively 'grow our own' qualified social worker talent</p>

			pool.
Personal care	29,632 (gross)	Devon County Council will recommission how it purchases personal care from independent sector providers next year. Labour market conditions are very different from when services were last recommissioned in 2012, so there is a risk that budget planning assumptions are insufficient. Furthermore there is ongoing risk to the security of labour supply which could affect the delivery of care.	Robust financial modelling has been undertaken to inform budget allocations, and the service specification will be designed in such a way as to balance and minimise exposure of both the Council and providers to financial risk, but ultimately the price the Council will have to pay for care will be determined among other factors by a rapidly changing local labour market and how this is viewed by and affects providers of care.
Better Care Fund	Total pooled budget £59,657 of which £18,611 is included in DCC revenue budget as income	<p>The Council is entering a pooled budget arrangement in 2015/16 with North East and West Devon Clinical Commissioning Group (NEWDCCG) and South Devon & Torbay Clinical Commissioning Group, described nationally as the Better Care Fund (BCF). This pooled arrangement includes circa £16m of support to DCC social care budgets including £2m towards the costs of implementing Care Act duties as required by central government.</p> <p>All commissioning partners to the Better Care Fund, as well as provider organisations are under financial strain, and the health community in NEWDCCG has been identified as facing particularly strong financial challenges. This inevitably poses a risk to the short term deployment of BCF resources, ultimately making more difficult the very changes that are necessary to overcome the financial challenges all face.</p>	<p>A joint commissioning board with detailed governance and specialist support will oversee the implementation of BCF and will ensure fluidity of communication between DCC and its health partners.</p> <p>Strong professional relationships between the health and social care sectors have been developed over the past years both with CCGs and provider trusts including hospitals. This creates better opportunities, both for resolving potential conflicts and for aligning strategic objectives of all to best meet the needs of the public.</p> <p>Both sectors are committed to working together to deal with similar challenges faced by each organisation and create integrated services across organisational barriers.</p>
Adult Social Care	178,433	Devon continues to have one of the most elderly population profiles in the country, particularly in people over 75 years of age with 11.2% of our population falling into this	Consistent application of eligibility criteria and continued development / enhancement of strategies to maintain people's independence while living at

		<p>category which is 3.2% above the average for England.</p> <p>Furthermore the Office of National Statistics predictions indicate that the number of people over the age of 75 in Devon will increase by 2% next year, rising to 4% per year by 2020.</p> <p>In addition to the pressures above (which are inherently unpredictable and always require careful management) there is a challenging programme of savings strategies and management action plans required.</p> <p>Demand for services is high, creating budget pressure across all services. In Learning Disability and in Mental Health, this means that the risk of overspending is viewed as very high in the coming year.</p> <p>The pressures associated with the Ordinary Residence rules are still relevant at the time of preparing the budget as up until 31st March 2015 Devon cannot control placements in our area made by other authorities.</p> <p>Continuing need to be aware of issues at the interface between Health and Social Care responsibility for funding of individuals (this includes but is not confined to cases eligible for aftercare under Section 117 of the Mental Health Act and eligibility for NHS Continuing Healthcare).</p>	<p>home.</p> <p>Continue to prevent reliance on ongoing care wherever possible by earlier intervention and reablement, and increase the proportion of care spending on community based services so that resources are redirected to where they will be most effective.</p> <p>Longer run risks are mitigated by further investment in preventative services.</p> <p>Maximise opportunities for joint investment with the NHS, including joint agreements on the use of the Better Care Fund financial transfers, to achieve changes needed, and support essential services where appropriate.</p> <p>Monitor and manage budgets rigorously so that management at all levels are alerted if budgets start to overheat, and plans to restrain spending can be put in place.</p> <p>Ensure professional operational practice throughout the joint teams.</p>
<p>Childrens Social Work and Child Protection</p>	<p>65,698</p>	<p>Reduction in staff costs especially agency towards levels in comparator authorities can be achieved only as caseloads reduce and newly qualified staff take up full caseloads.</p> <p>Individual children in care need placements that can be both high cost and volatile, and</p>	<p>Getting the quality and timeliness of decisions right is key to reducing caseload, and increasing the stability of the workforce.</p> <p>Improved practice and understanding of factors that drive the need for care, and achieving early</p>

		<p>which also meet their changing needs.</p> <p>Ambitious strategy to modernise fostering services, aiming to provide a more efficient, effective and flexible service to achieve better stability and choice of placement.</p> <p>The strategy to increase the number of children adopted depends on decisions in court which may be contested. Recent case law has had an adverse effect in this area nationally.</p>	<p>permanence.</p> <p>Continue to develop and fully implement a placement strategy that will both divert children from care and provide appropriate, flexible and affordable mix of high quality placements for those children who do enter care, including increasing the proportion of children adopted or other permanence outcomes.</p> <p>Direct Early Help work integrating Troubled Families funding to target and support work to help families and children get through times of difficulty.</p> <p>Continuing improvement of preparation for all hearings in conjunction with legal services. Reduce timescales in court.</p>
<p>Education and Learning – General Fund</p>	<p>42,216</p>	<p>Academies now comprise more than 20% of Devon's schools. If conversions increase, the central infrastructure to support all schools has to deliver the same quality, but with reduced resources in those areas which remain the Council's responsibility.</p> <p>School / College transport arrangements, including for vulnerable groups and personalised packages: possibility that actions in other parts of the council, or in schools strategies (e.g. fewer out of county special schools placement; increased use of internal rather than external foster care placements) add to pressure on these budgets.</p>	<p>Ensure strong and effective collaborative working and information sharing to set out clearly the council's role and relationship with maintained schools, partnerships and academies. The Council will continue to ensure that statutory responsibilities within a diverse educational landscape are secured through a range of protocol and stakeholder agreements.</p> <p>Continue to encourage Academies to buy back Traded Services.</p> <p>Ensure careful implementation of route reviews.</p> <p>Ensure that effects on transport are picked up at the planning stage. Travel costs need to be considered as part of the placement strategy.</p> <p>Improvements in stability of placements of children in</p>

			care and commissioning of transport for all vulnerable children should help to contain budget pressures.
Education and Learning – Schools budgets	494,514 gross	<p>As delegation to schools budgets increases there is less resource to provide central services with the risk of loss of economies of scale which may impact on smaller schools in particular.</p> <p>Early Education for disadvantaged 2 year olds; and 3 & 4 year olds: As funding for 2 year olds moves to participation funding in April 2015 it will be important to maximise take up of entitlement.</p> <p>The cost of educating high needs pupils to individual schools can be significant and volatile; funding mechanisms need to cope with these demand-led changes. Risk of more exclusions and increase in harder to admit children.</p>	<p>Ensure a clear and well understood approach to robust commissioning negotiations with providers.</p> <p>Continue to engage with national reviews of schools funding arrangements. Lobby for a speedy implementation of a national formula to address the issues faced by low funded authorities such as Devon.</p> <p>Continue active engagement with Devon Education Forum to ensure funding is appropriately distributed and targeted to achieve the best Educational outcomes for all children across all ages and levels of need.</p> <p>Devon Assessment Framework (DAF) to support individual placements and redistribution from core funding to support schools with the most vulnerable placements.</p>

Place

Service	Budget 2015/16 £'000	Risk and Impact	Mitigation
Winter Maintenance and Emergencies	Approx. 5,000	Winter maintenance and other emergencies which are typically weather related, cannot be predicted. There is a risk of overspend in the event of severe weather conditions. Proportions of this budget are based on a mild to average winter. Therefore a worse than average year will place additional pressure on this budget.	There is limited scope for management action as the bulk of the costs tend to fall in the latter part of the financial year thus precluding funding by deferral of planned maintenance work. DCC policy is to respond appropriately to such events and wherever possible divert resources from other works in order to mitigate some of the costs. Scenario modelling is undertaken to assess any potential overspend.
Safety Defect Repairs	Approx. 5,000	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Over the last 3-4 years significant extra resources from both central government and DCC have been targeted towards this area. However, funding allocations for 2015/16 will place a greater emphasis on the LA to set aside funds to deal with resilience.	New ways of providing this service continue to be explored. Works are closely monitored during the year and funds diverted from planned works where possible.
Ash Die Back Disease – impact on Highways	Nil	Ash dieback could have an effect on DCC budgets and resources. This impact will not be immediate but the effects will probably be dealt with over a 10 year period. There is evidence that Ash Die Back is infiltrating into Devon’s tree population. Ash trees make up approx. 20% of Devon’s tree population. If 20% of those trees are the responsibility of DCC this could result in a £350k cost per annum.	The rate of the spread of disease will be monitored closely and will ensure that all trees not owned by DCC are dealt with by the land owner.
Waste Management	33,004	Waste tonnage levels and growth rates are volatile and difficult to predict as they are	Budgets reflect recent trends. Other than undertaking work to

		<p>subject to a range of influences outside the control of DCC. Due to the current economic climate a small growth level has been assumed based on current levels of tonnage going to landfill disposal. Similarly, the extent to which contractors will meet recycling targets is uncertain. These risks may result in the budget being over or under provided. A variation in tonnages of +/- 1% could result in a financial variation of £315k. A delay in the opening of Plymouth EfW will adversely affect the average cost per tonne of disposal.</p>	<p>influence behaviours there is limited scope for management to alleviate financial pressures should tonnage increase. Tonnage levels are closely monitored.</p>
Public & Community Transport	4,778	<p>Around 75% of passenger journeys are on commercial bus services with no DCC control over them. The remainder are on supported (contracted) bus services. The commercial sector therefore shapes the network, and DCC responds to fill in gaps, optimising the scope for an integrated network. The proposed reductions will have an impact on Devon communities with 19% of Devon residents having no access to a car, this places an increased strategic pressure on supported services.</p>	<p>Budget is based on actual services each year. Service support is based upon criteria related to DCC strategic objectives. Wherever possible Commercial Operators are encouraged to take up services. DCC supported services are developed to achieve commercial viability where possible.</p>
National Concessionary Travel Scheme	9,134	<p>Under statutory provision Commercial Bus Operators are reimbursed for the use of free travel passes by more than 175,000 pass-holders in Devon and by non Devon residents travelling in the County. Travel levels and patterns are subject to a range of influences which are outside the control of DCC so cannot be predicted precisely.</p>	<p>Budgets reflect recent trend data. Fixed fee contracts with bus providers have been negotiated to alleviate most of the uncertainty around costs.</p>
Flood Risk Management – surface water	860	<p>DCC is the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act and the Flood Risk Regulations. Special grant provision has been made by DEFRA in relation to LLFA</p>	<p>Work is continuing on developing the necessary processes and procedures to ensure the scheme is implemented from 1st April. However, without knowing the exact detailed</p>

		duties and fees will be levied on developers at the planning stage to ensure adequate surface water management. The scheme is intended to be self-financing via the fees and should "go live" during 2015/16. However the scheme is still under consultation and it is unclear on the exact detail as there are concerns about funding for ongoing maintenance.	requirements this poses a risk to the budget if resources are not adequate to cover the service required.
Exeter Science Park (loan guarantee)	Max 2,652	During 2014/15 Exeter Science Park Limited (ESPL) started construction on a Science Park Innovation Centre. This is being partially funded via a loan from the Growing Places Fund which is controlled by the Local Enterprise Partnership (LEP). DCC have guaranteed 50% of the loan and interest. It is possible that part of the guarantee (£800k) will be required and budgetary provision has been made to cover this aspect.	The guarantee is based on development monies being generated in the future to repay the loan. If the budgeted requirement increases further funds may need to be set aside. This will be monitored during the year via ESPL Business Plans which have to be approved by the Board at regular intervals.
Legislative Changes	Various	Legislative changes are an ongoing risk, for example, refinements to waste categorisation or Sustainable Urban Drainage Systems (SUDS) requirements etc.	The introduction of new legislation will be closely monitored. There is limited scope for management to alleviate financial pressures.
Legal Challenges	Unknown	With reducing resources there is the potential to face legal challenges over areas relating to our statutory duties or where there are equality impact issues. These include our legal duty for Highways, Flooding and any potential reductions planned.	To plan in advance to ensure that all statutory duties are adequate and that full consultation and impact analysis is completed.
Match Funding	Various	With the emphasis on public sector reductions the ability to provide match funding to draw down funding from other providers becomes more difficult to achieve. A large number of grants will require an element of match funding. The impact will be greater in the longer term.	Target of limited resources to optimise economic benefit.
Income	9,400	Due to varying factors such as	This will be monitored

Collection		the current economic climate or changes in technology, the level of income from fees and charges from licences for works to highways, planning fees, courses at the Devon Drivers Centre and DVDs being rented from libraries, is under increasing pressure.	during the year so that early detection can aid management action to endeavour to either increase the income or identify reductions elsewhere to offset.
Budget Reductions	9,824	<p>An extensive programme of budgets cuts is planned for 2015/16. This is the fifth year of reductions for Place. Reductions are becoming harder to achieve with the time and capacity needed to achieve the outcomes greater than at the start of the austerity process. Some reductions are reliant on collaboration and co-operation from partners which cannot be fully guaranteed or controlled by DCC.</p> <p>There are savings strategies included within this budget which do not have robust plans of achievement e.g. £200k savings from Waste.</p>	The first priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2015/16 with particular emphasis on high risk, or under developed, strategies. Maintain continuous efforts to influence and negotiate with partners.

Corporate

Service	Budget 2015/16 £000	Risk and Impact	Mitigation
Facility Management - Premises	2,550	Property rationalisation – service prioritisation targets are predicated on the achievement of significant savings in property rationalisation, achievement of which is dependent on the organisations commitment to deliver a property disposal programme.	Work closely with elected Members & senior officers in this respect.
Business Strategy & Support	16,619	Increasing demands for support for Children & Adults at risk, services subject to organisational change and changes in service plans place increasing pressure on this service.	Work closely with service heads across the authority to ensure consistency of approach.
Legal Services	952	Legal is a demand led service and as such subject to external influences, not least the current economic climate. The service also needs to be flexible in responding to the priorities of the County Council as a whole. In this it is important to ensure that the necessary skills & knowledge are available in order to respond to changes in legislation & processes.	There is little scope for management action to alleviate financial pressures except at the expense of other services. We are continuing to work closely with colleagues to ensure that we manage the situation to the best of our ability.
Coroners Service	1,700	<p>There is a risk of unavoidable additional costs in medical, analysts, funeral directors and mortuary facility fees. This partly arises from problems in commissioning pathology services, increased fees generally, increases in charges set by the Home Office and some increase in workload.</p> <p>It also faces new pressures as a result of guidance from the Chief Coroner with regard to deprivation of liberty safeguards.</p>	We are continuing to work closely with colleagues across the region conducting ongoing review of commissioning processes and joint working arrangements with a view to curtailing expenditure and producing additional efficiencies and economies in this respect.
Treasurer's Services and Human	10,482	Increasing demands for financial and HR support & advice, not least from services subject to organisational	Work closely with service heads across the authority to ensure

Resources		change and changes in service plans, place increasing pressure on the capacity of this service at a senior level.	consistency of approach, smarter working practices and increased use of information systems.
Unfunded Pensions	6,313	The budget established is predicated on reductions in costs arising as a result of mortality rates. However, expenditure patterns are somewhat uneven and as such it is difficult to predict spending levels with any degree of certainty.	There is little scope for management action to alleviate financial pressures except at the expense of other services. We will therefore continue to monitor this closely.
Public Health - Healthchecks	903	This service is still subject to considerable volatility. Healthchecks are not being delivered at national target level, and the budget reflects the delivery model not the targeted level.	Careful contract monitoring and management to enable providers to manage demand for the service within allocated budget
Public Health - Sexual Health	5,994	The demand on sexual health services continues to escalate with an element of services provided out of area through open access clinics in other local authority areas, over which the County Council has limited visibility or control	Careful negotiation with in-area providers to ensure that value for money is achieved and where possible exposure to increased demand is capped.
Public Health - Substance Misuse	6,078	The budget for this service has been cut by £534,000 as a combination of exploring new ways of working and reducing spend.	Tight monitoring of activity and spend as well as ongoing activity to work more closely with other commissioners to reduce costs and drive new partnerships.
0-5 Children's Services	4,509	The commissioning responsibility for this service transfers to the Council from October 2015. Enforcement of the mandated commissioning route for elements of the service, could pose a risk to these elements. Additionally the budgetary allocation may be less than the service has cost in previous years.	Negotiation with partners to ensure that the contract for 2015/16 is within the funding allocated, and to ensure that the commissioning responsibilities across partners are fulfilled and a full service is delivered.

COUNTY FUND BALANCE AND EARMARKED RESERVES FOR 2015/16

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendation:

That Members note the report.

Introduction

The County Council maintains working balances (County Fund Balances) and earmarked reserves to cushion the impact of unexpected events and emergencies. Earmarked reserves are used to meet known or predicted future expenditure.

Balances

The County Council has in place a risk management strategy and a system of internal control. Of particular importance in this context is the County Council's budget monitoring policy. It ensures that regular budget monitoring is carried out and requires approval of the Cabinet for the carry-forward of any under-spending and that any net over-spending by services is made good in the ensuing year unless other exceptional arrangements are approved by the Council. Furthermore the County Council has a good record in terms of identifying budget pressures and taking appropriate remedial action. These existing systems, controls and procedures provide a firm foundation from which the need for reserves and balances can be calculated with a reasonable level of confidence.

The general balances risk analysis has been reviewed and minor adjustments made. Balances as at 31 March 2015 are forecast at £14.6 millions which achieves the minimum target for balances established by the risk assessment exercise, so no additional contribution to general balances is proposed for 2015/16. The appropriate level of reserves will need to be re-considered at the end of the current financial year in light of the outturn. A detailed schedule of risks and their quantification will be included in the County Council budget book.

Current budget monitoring indicates that for 2014/15 variations have occurred on a number of demand led budgets. As a result spending may not be contained within the overall budget without some call on earmarked reserves being required.

The major risks affecting the County Council have been drawn from the risk matrices set out in Appendix E. Judgements have been made about the likelihood of overspending and this has been converted into a financial measure. The results are shown in Table 1. Given that the Council's experience of significant over spend in aggregate has been historically low the cumulative effect of an event of this kind occurring could be contained within the current level of balances. However, to further mitigate this risk and before a call on balances is considered, earmarked reserves will be utilised.

Table 1 – Risk assessment

Risk Assessment and Mitigation Plans					
Area of Risk	Potential Level of Risk				Mitigation
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
<u>People</u>					
Child Social Work and Child Protection	5,256	5,913	6,570	7,227	All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.
Adult Social Care	3,569	3,569	3,569	3,569	
Social Care Commissioning	221	331	441	441	
Education and Learning	422	422	422	422	
<u>Place</u>					
Highways and Traffic Management	1,036	1,036	1,036	1,036	It is unlikely that all budgets would overspend at the same time.
Planning Transportation & Environment	53	53	53	53	
Economy, Enterprise and Community	286	286	286	286	
Capital Development & Waste Management	655	655	655	655	
<u>Corporate Services</u>					
Central Services	391	391	391	391	
Capital Financing Charges	0	0	0	0	
Investment Income	0	0	0	0	
Total	11,888	12,655	13,422	14,079	

Fundamental changes to the financial arrangements in local government beginning in 2013/14 have brought with them new financial risks. The most significant risk is to collection rates for both council tax and business rates which may fall short of the targets set. However, because these potential shortfalls are managed through collection funds and are taken into account as part of budget setting for the succeeding financial year, they have not been considered in the risk assessment which relates to 'in year' variations.

Earmarked Reserves

For many years earmarked reserves have only been supplemented when the Outturn is in surplus and when grant income is received and has not been budgeted for and for which there is no corresponding expenditure.

Following the review of reserves for the 2014/15 budget and MTFS, apart from a few reserves which are required by statute, the only earmarked reserves retained are those to meet the cost of emergencies and service reduction and transformation, and ongoing budget management.

Dealing with risks and emergencies

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.5 million of balances. The rationale for holding this level of balances is set out earlier in this report. In essence balances are held to contain service overspendings that cannot be met from earmarked reserves. They are regarded as a last resort means of retaining financial viability when earmarked reserves are exhausted and as such are irreducible.

Earmarked reserves are held to meet the cost of the unexpected and where possible to contain budget overspending. As reserves diminish the facility to manage these events becomes more difficult.

The extreme weather in 2012 illustrates why allowing for this is necessary. The cost of the clear up after the flooding was £12.2 million. A further £1.4 million was set aside to

provide for repair and reinstatement works. Of this total amount £3.1 million was met by Government through the Bellwin Scheme. A net revenue cost of £10.5 million had therefore to be covered by the Authority.

If an event of that magnitude occurred again and the full cost had to be met outside of the revenue budget, after addressing the one-off costs of service reduction, it would be highly unlikely that it could be contained by conventional means. Similarly, as more risk laden budget reduction measures are attempted, the likelihood of substantial budget under spending becomes more remote. A bias toward overspending should be anticipated.

Whilst budget overspending, recognised and dealt with at outturn can be met from the risk assessed balances, currently just over £14.5 million, should an event of the magnitude of the extreme weather of 2012 happen at the same time there would be no financial cover unless this is specifically planned for in earmarked reserves.

It is therefore essential that an earmarked reserve of 3.0 per cent of the net revenue budget, approximately £15 million, is provided as a general contingency long stop. A higher figure would provide greater comfort and financial resilience, but in these difficult times it is hard to justify given the acute service pressures being faced.

If either the general balance or the earmarked reserve to meet unexpected emergency events is used, plans to replace them in the very short term must be made. This is most likely to mean that budget provision to top up balances and reserves will need to be found. This will result in greater volatility to each annual budget setting round than would be the case if the level of reserves were higher.

Table 2 – Earmarked Reserves

Purpose & Description of Reserve	Estimates balance as at				
	31.3.15	31.3.16	31.3.17	31.3.18	31.3.19
	£'000	£'000	£'000	£'000	£'000
Special Purpose Reserves					
Affordable Housing	425	325	225	125	25
On Street Parking	1,825	1,462	1,099	736	373
Public Health	1,634	1,508	439	51	
Subtotal: Special Purpose Reserves	3,884	3,295	1,763	912	398
Specific Contingency Reserves					
Budget Management	10,877	10,877	10,877	10,877	10,877
Business Rate Risk Management	1,451	1,451	1,451	1,451	1,451
Emergency	15,000	15,000	15,000	15,000	15,000
Service Transformation	13,662	8,975	8,775	8,775	8,775
Subtotal: Specific Contingency Reserve	40,990	36,303	36,103	36,103	36,103
Total Earmarked Revenue Reserves	44,874	39,598	37,866	37,015	36,501

Capital Programme 2015/16 – 2019/20

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

It is recommended that Members:-

- c) recommend to the Council the Capital Programme for 2015/16 of £120.206 million and its financing as shown in Summary Tables B and C respectively;
- d) Approve, for planning purposes, the indicative Capital Programmes for 2016/17, 2017/18, 2018/19 and 2019/20 shown in summary Table C below. These levels will be reviewed in the light of the overall level of revenue and capital resources available to the Council for each year.

Introduction and Commentary

A capital programme has been produced which aims to maximise investment in the county's infrastructure and assets necessary to support service delivery while minimising the impact on the revenue budget. We have again sought to minimise the introduction of new schemes funded from borrowing in order that revenue budgets are not squeezed further in the medium term. However in contrast to recent years, scope has been found to finance new schemes. Those deemed to be high priority have been included within this programme.

Shaping the Capital Programme

The size and shape of the capital programme is determined by the availability of internal and external capital resources and by the demand for investment.

Internal resources to finance capital investment include proceeds from the sale of assets, internal borrowing, reserves and revenue budgets. The authority has not undertaken any new external borrowing since January 2008.

External capital resources cover contributions from developers due to increasing burdens on the existing public infrastructure, grants from central government and contributions from other public bodies such as District or Town Councils.

The demand for capital investment has recently been highlighted. This may concern opportunities to develop infrastructure or the requirement to maintain or acquire assets to assist with the efficient delivery of services.

Availability of DCC Resources – Internal Borrowing and Capital Receipts

One of the main drivers that shape the capital programme is the desire to contain debt and thus reduce the revenue impact of capital financing. In setting the 5 year capital programme from 2015/16, no new capital schemes to be funded from borrowing have been introduced.

By only allowing borrowing to support legacy schemes, achieve revenue savings and meet key priorities, a reduction in internal borrowing is achieved.

In times of budgetary constraint there is a strong argument for saying that a capital programme with minimal borrowing represents the most appropriate position. In setting the programme for 2015/16 and beyond, the new starts identified are recommended to be funded from capital receipts. This ensures minimal impact on the revenue budget but is by nature limited to the amount of DCC assets that can be sold.

No capital spend is due to be financed from reserves or non schools revenue budgets.

Availability of External Resources

The capital programme is also influenced by the external capital funding that becomes available. Its shape will depend to a large degree on the priorities of Government departments and the availability of contributions to support infrastructure for developing communities. To the extent that new funding becomes available from these sources the capital programme can be expanded but if funding is withdrawn or reduced then the programme must reduce accordingly.

The Local Highways Maintenance capital block funding announced in December 2014 indicated an increase in funding of £7.6 millions to £42.3 millions for 2015/16 compared to £34.7 millions for 2014/15. However, the Department for Transport will no longer set aside a proportion of the funding for a resilience contingency fund and have recommended that local highway authorities' ensure they retain a contingency for repairing damage to local highways and associated assets caused by incidents such as extreme weather. A sum of £2 millions from Devon's Local Highways Maintenance capital block allocation has been separately identified in the capital programme to address this issue. The Government are currently consulting on the emergency Bellwin funding which could change the financial support for those extreme events covered by this scheme.

In the context of a declining revenue budget it is more important than ever that the Authority maximise its receipt of external funds. Of those bids for corporate funding that were deemed high priority, a number involved the development of schemes that may in future benefit from significant government funding.

Demand for Capital Investment

The third major influence on the shape and size of the Capital Programme is the demand for capital investment. In recent years, there were strict rules on new schemes that were funded from corporate resources. As a response to the demand for specific capital investment, a review of potential scheme new starts was undertaken. Those schemes that were deemed high priority are shown in the table below and are included within this budget through the Medium Term Capital Programme period.

Table A: High Priority Schemes

Scheme	Cost £m
Technology and information systems to support DCCs Operating Model	4.70
Growth Deal Infrastructure and Design	2.50
Barnstaple Hub	2.20
A303 Improvements – Design Costs	1.25
A361 NDL Improvements – Design Costs	1.00
Barnstaple Civic Centre – future liabilities	0.60
Strategic Centres accommodation improvement programme – Exeter	0.47
Libraries Modernisation Programme	0.46
Early Years Provision Kingsbridge	0.40
Strategic Centre improvement (County Hall heating system)	0.40
Strategic Centres accommodation – annex utilisation (County Hall, Exeter)	0.06
Total	14.04

The Medium Term Capital Programme

The size of the capital programme remains substantial. The latest forecast of the programme analysed by funding source is shown in Table B. The funding available in forecast years will change as Government policies and grant allocations are published. We are aware of significant potential changes to the funding of Highways Maintenance.

Table B: Forecast spending by funding source

Funding Source	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Borrowing - Unsupported	11,807	12,719	7,859	762	6
Borrowing - VELP	1,330	1,931	1,100	1,100	1,100
Capital Receipts - General	12,287	10,077	3,447	1,961	1,485
Capital Receipts - IID	6,244	1,654	0	0	0
Direct Revenue Funds - Services	205	200	200	200	200
External Funding - Contributions	3,575	1,881	1,465	760	50
External Funding - Grants	77,254	72,875	56,928	54,470	54,120
External Funding - S106	7,504	10,555	362	3,000	2,819
Total	120,206	111,892	71,361	62,253	59,780

This translates into the indicative spending levels set out in Table C.

Table C: Anticipated Capital Programme

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
People	12,437	11,996	10,625	2,942	2,270
Place	101,656	98,302	59,246	59,161	57,360
Corporate	6,113	1,594	1,490	150	150
Total	120,206	111,892	71,361	62,253	59,780

The overall reduction in revenue funding has highlighted the link between the capital programme and the burden of financing it through the revenue budget. A large capital programme funded predominantly through borrowing is no longer sustainable and can only be ameliorated by virtually eliminating borrowing as a source of funding for at least the medium term for all but the most urgent priorities. Alternative sources of funding continue to be explored, but these are strictly rationed and flexibility to respond to capital pressures is limited.

Capital Receipts

Capital receipts represent the income from the sale of Council assets and can be used to finance capital investment. The movement in capital receipts is forecast as follows:

	2015/16
	£'000
Estimated unapplied balance brought forward – General	13,319
Estimated unapplied balance brought forward – Investing in Devon	10,477
	23,796
Estimated receipts generated in-year	6,000
Anticipated application of general receipts – 2015/16 MTCP	(12,287)
Anticipated application of general receipts - 2014/15 slippage	(3,459)
Anticipated application of IID receipts - 2015/16 MTCP	(6,244)
Anticipated application of IID receipts - 2014/15 slippage	(862)
Movement in Year	(16,852)
Capital Receipts Unapplied at year end – general	3,573
Capital Receipts Unapplied at year end – Investing in Devon	3,371
Total Capital Receipts Unapplied	6,944

Risk Assessment

Risks to the capital programme and mitigation are set out below:

Risk 1: Scheme costs are higher than estimated

Mitigation: Services indicate their 'total scheme approvals' when a scheme is approved. This improves accountability and provides a clear link between the initial estimate and the actual costs that arise.

Actual costs are monitored on a monthly basis and overspends are identified. Overspends are managed by either modifying the scope of the scheme or by redirecting funding from other projects.

Risk 2: External funding resources are not received

Mitigation: The potential impact of external funding not being received is reviewed when assessing the likely level of borrowing required to finance the capital programme. It is therefore factored into an assessment of borrowing limits. Projects do not begin until funding sources have been confirmed. External funding balances are monitored on a monthly basis.

Risk 3: The Programme not being delivered on time

Mitigation: The Council aims to develop a medium term capital programme that can realistically be delivered to the time scales agreed. However, there is the risk that complications will arise, such as difficulties in employing specialist contractors or weather and planning consent related delays. In such circumstances the County Council may bring forward the planned start dates of future projects in the MTCP.

Risk 4: Capital Receipts arising later or lower than forecast

Mitigation: Proceeds from the sale of assets will be closely monitored. Alternative funding sources may have to be sought or schemes may have to be deferred if receipts are generated later than forecast or for a reduced sum.

Programme Detail

The People, Place and Corporate sections of the booklet attached show the detailed breakdown of the Medium Term Capital Programme on a scheme by scheme basis.

PRUDENTIAL INDICATORS 2015/16 - 2019/20

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

that Members:

- e) recommend to the Council the Prudential Indicators for 2015/16 to 2019/20 contained in this report; and
- f) recommend to the Council the Minimum Revenue Provision Strategy.

Introduction

The County Council is required to monitor its overall level of debt in line with the national code of practice drawn up by the Chartered Institute of Public Finance and Accountancy. Part of this code requires consideration of a set of "prudential indicators" in order to form a judgement about the affordable, prudent and sustainable level of debt.

The prudential indicators, treasury management strategy and the annual investment strategy have been reviewed in line with the Capital Programme 2015/16 – 2019/20 as detailed in Appendix G.

Capital Expenditure

Table 1 shown below, summarises the Capital Programme and liabilities from capital projects that will appear on the balance sheet in future years. The Capital Programme has been tested for value for money via option appraisal and for prudence, affordability and sustainability by looking at the impact that the proposed Capital Programme has on the revenue budget and through the Prudential Indicators.

The Non DCC capital expenditure that increases our long term liabilities relates to the Exeter and Plymouth Energy from Waste schemes. These schemes are delivered by a private sector partner. This investment is financed via the "gate fee" for the disposal of waste materials. The increase in 'other long term liabilities' in tables 2-5 is due to the recognition of the liabilities attached to the Plymouth Energy from Waste scheme and the recognition of the liability attached to the sixth school within the Exeter School pfi's scheme.

Table 1

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Total Capital programme	120,206	111,892	71,361	62,253	59,780
Funded by:					
Gross borrowing	13,137	14,650	8,959	1,862	1,106
Other capital resources	107,069	97,242	62,402	60,391	58,674
Total capital programme funding	120,206	111,892	71,361	62,253	59,780
Capital expenditure treated as a long-term liability	909	0	0	0	0
Total capital expenditure	121,115	111,892	71,361	62,253	59,780

Prudential Indicators

Capital Financing Requirement

The Capital Financing Requirement represents the Council's underlying debt position. It shows the previous and future spend for capital purposes that has been or will be financed by borrowing or entering into other long term liabilities. The forecast Capital Finance Requirement for 2015/16 and the following four years are shown in table 2 below.

Table 2

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Underlying borrowing requirement	590,023	577,122	560,741	538,665	516,091
Other long-term liabilities	147,216	143,616	138,946	133,717	128,637
Capital financing requirement	737,239	720,738	699,687	672,382	644,728

Limits to Debt

The Authorised Limit represents the level at which the Council is able to borrow and enter into other long term liabilities. Additional borrowing beyond this level is prohibited unless the limit is revised by the Council. Table 3 details the recommended Authorised Limits for 2015/16 – 2019/20.

Table 3

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Authorised limits for borrowing	660,023	647,122	630,740	608,665	586,091
Authorised limit for other long-term liabilities	147,216	143,616	138,946	133,717	128,637
Authorised limit for external debt	807,239	790,738	769,686	742,382	714,728

The Operational Boundary is based on the anticipated level of external debt needed during the year. Variations in cash flow may lead to occasional, short term breaches of the Operational Boundary that are acceptable. Sustained breaches would be an

indication that there may be a danger of exceeding the Authorised Limits. Table 4 details the recommended Operational Boundaries for 2015/16 and following years.

Table 4

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Operational limits for borrowing	635,023	622,122	605,740	583,665	561,091
Operational limit for other long-term liabilities	147,216	143,616	138,946	133,717	128,637
Operational limit for external debt	782,239	765,738	744,686	717,382	689,728

The forecast opening balance for External Borrowing at 1 April 2015 is £507.85 million and remains unchanged at 31 March 2016.

The Council also needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement. Table 5 details the Capital Financing Requirement against the total gross debt plus other long term liabilities.

Table 5

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Capital financing requirement	737,239	720,738	699,687	672,382	644,728
Gross borrowing and other long-term liabilities	603,838	601,133	599,172	596,091	592,911
Under/ (over) borrowing	133,401	119,605	100,514	76,291	51,817

Ratio of Financing Cost to Net Revenue Stream

Table 6 below shows the relationship between Capital Financing Costs and the Net Revenue Stream for 2015/16 and future years. Financing cost is affected by Minimum Revenue Provision (MRP), interest receivable and payable and reductions in other long term liabilities.

From 2009/10 the MRP strategy has been calculated on varying bases. Supported capital expenditure and unsupported borrowing up to 1 April 2008 will continue to be charged by the Capital Finance Requirement method (4%). Unsupported borrowing post 1 April 2008 (including Vehicle and Equipment Loans Pool), Capitalisation Direction and charges to other public sector bodies will be charged based on the period of benefit of the capital investment. Statutory guidance requires that MRP relating to PFI and finance leases will be charged over the term of the agreement. We will not provide for MRP in circumstances where the relevant expenditure is intended to be financed from external contingent income, where it has not yet been received but where we conclude that it is more probable than not that the income will be collected.

The figures for MRP shown in table 6 below reflect the adoption of this strategy.

Capital financing costs are also affected by PFI contracts and finance leases coming 'on Balance Sheet'. We have calculated the amounts within the contracts that relate to the reduction of liability and the cost of interest and these amounts are shown in the 'Capital Financing Costs of Other Long Term Liabilities'. The main Prudential Indicator to measure the acceptable level of borrowing remains the ratio of financing costs to total revenue stream.

Table 6

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Minimum revenue provision	28,166	27,780	25,568	25,038	23,679
Interest payable	26,023	26,023	26,023	26,023	26,023
Recharges and other adjustments	(714)	(719)	(1,128)	(1,302)	(1,246)
Interest receivable	(935)	(944)	(943)	(939)	(936)
Capital financing cost (excluding other long-term liabilities)	52,540	52,140	49,520	48,820	47,520
Capital financing costs of other long-term liabilities	15,867	15,745	15,930	15,362	14,625
Capital financing costs including other long-term liabilities	68,407	67,885	65,450	64,182	62,145
Estimated net revenue stream	488,224	478,981	470,727	460,511	450,000
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	10.76%	10.89%	10.52%	10.60%	10.56%
Ratio of financing costs (including other long-term liabilities) to net revenue stream	14.01%	14.17%	13.90%	13.94%	13.81%

Incremental Impact on Council Tax

The incremental impact on Council Tax of the investment decisions made in setting the 2015/16 Capital Programme is shown in table 7.

Table 7

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Incremental impact on band D council tax payers of investment decisions funded by borrowing	(0.32)	(1.52)	(1.07)	(0.15)	(0.13)
Incremental impact on band D council tax payers of investment decisions funded by increased other long-term liabilities	0.00	0.00	0.00	0.00	0.00
Incremental impact on band D council tax payers of capital investment decisions made in setting the 2015/16 MTCP	(0.32)	(1.52)	(1.07)	(0.15)	(0.13)

TREASURY MANAGEMENT

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

that Members:

- g) recommend to the Council that it adopts the Treasury Management and Investment Strategy for 2015/16 as set out in Annex 1; and
- h) delegate to the County Treasurer the authority to effect movements between the separately agreed limits for borrowing and other long term liabilities.

Introduction

In February 2012 the Council, in accordance with the revised CIPFA Code of Practice for Treasury Management in the Public Services, adopted a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). No changes are proposed to these policies for 2015/16.

The policy requires the Council to consider a treasury strategy report, setting out the strategy and plans to be followed in the coming year, as part of the budget process.

Treasury Management and Investment Strategy

The Treasury Management and Investment Strategy is shown in draft at Annex 1. It sets out the current treasury position, debt and investments; prospects for interest rates; the borrowing strategy; prudential indicators on fixed/variable borrowing and maturing debt; limits to debt; and the investment strategy.

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without incurring a financial penalty. Capital expenditure new starts have been limited to those that were financed from sources other than borrowing.

This strategy has worked well in a period of austerity. The Council's external borrowing level has reduced by £102 millions to £508 millions from 2008/09, whilst budgeted Capital Financing Charges have reduced from £56.9 millions in 2011/12 to £53.6 millions in 2014/15. However, recently there have been indications that it may be time to review if not change this policy, whilst interest rates are historically low.

The Council's Treasury Management strategy should balance demand with cash flow and affordability. A review of each of these components was undertaken and it was found that the current Medium Term Capital Plan will see the cash levels increase probably beyond what is required to facilitate some early repayment of loans and there is therefore some flexibility in the future but not at the current time. There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its budget in the coming years and it is difficult to see how significant additional borrowing could be financed.

However, the need to invest in Capital has been recognised. Consequently, a process to identify the highest priority schemes across the Authority has been undertaken and a

programme of New Starts are being recommended within the capital programme, funded from Corporate Capital Receipts over the Capital Programme timescale.

Applying Capital Receipts as the funding source enables the capacity to undertake additional Capital investment without the adverse impact of creating additional capital financing cost burdens on the Revenue budget or adversely affecting the authority's cash balances. This presents an element of risk. If required receipts are not generated, other capital funding sources will need to be identified to finance required capital spending at the approved level.

Opportunities to reduce external debt will be monitored. Under their current policy the Public Works Loan Board (PWLb) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. With current low rates of interest this has represented a significant cost which would impair the benefit of repayment. There may be an opportunity to repay around £19 millions over the next couple of years as interest rates rise, but the availability of cash means that the ability to repay more than this small proportion of the Council's external debt will be limited.

The target return for investments will remain at 0.65% reflecting the current interest rate environment.

Conclusion

The Cabinet is asked to recommend to the Council the adoption of the strategy shown in Annex 1 to this report.

Treasury Management and Investment Strategy

The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. This is one of the Prudential Indicators required by the Code. The CIPFA Code also requires the Council to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). A revised Code of Practice was published by CIPFA in November 2011 and a revised Policy Statement and TMPs were agreed by Council in February 2012. These policies remain appropriate and no changes are proposed for 2015/16.

This Treasury Management Strategy document sets out:

- The current treasury position, debt and investments;
- Prospects for interest rates;
- The borrowing strategy;
- Prudential indicators on fixed / variable borrowing and maturing debt;
- Limits to debt; and
- The investment strategy.

Analysis of Long Term Debt

The following Table A shows the County Council's fixed and variable rate debt as at 31 March 2014 and 31 December 2014 (current).

The interest rates shown do not include debt management costs or premiums/discounts on past debt rescheduling.

There has been no movement in the Council's external debt over the last financial year, as no new borrowing has been required and no further opportunities have arisen to repay debt.

Table A – Analysis of Long Term Debt

	Actual 31.03.14 £'m	Interest Rate %	Current 31.12.14 £'m	Interest Rate %
Fixed Rate Debt				
PWLB	436.35	4.99	436.35	4.99
Money Market	71.50	5.83	71.50	5.83
Variable Debt				
PWLB	0.00		0.00	
Money Market	0.00		0.00	
Total External Borrowing	507.85	5.11	507.85	5.11

Schedule of Investments

The following schedule shows the County Council's fixed and variable rate investments as at 31 March 2014 and as at 31 December 2014 (current).

Table B – Schedule of Investments

		Actual 31.03.14 *	Interest Rate	Current 31.12.14 *	Interest Rate
	Maturing in:	£'m	%	£'m	%
Fixed Rates					
Term Deposits	< 365 days	50.00	0.93	65.00	0.76
	365 days & >	0.00		0.00	0.00
Callable Deposits					
Variable Rate					
Call & Notice Accounts		72.40	0.58	69.31	0.60
Accounts linked to LIBOR Rates		0.00			
Money Market Funds (MMFs)		0.00			
All Investments		122.40	0.75	134.31	0.68

*

The Council's cash balance available for investment varies during the year, with the balance building up during the first half of the financial year, and then tapering down towards the end of the financial year. It is anticipated that the cash balances at 31st March will have reduced to around £100m.

The recent investment performance of the County Council's cash has been affected by the low interest rates introduced as part of the measures used to alleviate the global credit crunch. Interest rates have also been impacted by the introduction of new banking regulations requiring banks to hold higher levels of liquidity to act as a buffer.

The rates on offer during 2014/15 continue to be low and the returns on the County Council's cash investments are forecast to remain at the current low levels for the foreseeable future; however, the Treasury Management Strategy will continue to ensure a prudent and secure approach.

Prospects for Interest Rates

Forecasting future interest rate movements even one year ahead is always difficult. The factors affecting interest rate movements are clearly outside the Council's control. Whilst short term rates are generally linked to the Bank of England's Base Rate, long term rates are determined by other factors, e.g. the market in Gilts. The County Council retains an external advisor, Capita, who forecast future rates several years forward. Similar information is received from a number of other sources.

UK interest rates have been held at their record historic low level of 0.5% since March 2009. In addition, Quantitative Easing measures to provide liquidity to markets remain in place and these may be added to by the European Central Bank in the near future. The introduction of new regulations requiring banks to hold a higher cash buffer has also had the effect of reducing the rates on offer.

A rise in the Bank of England Base Rate is thought likely during 2015, as a result of the improving economy, and the potential for stronger wage growth and higher inflation. However, most commentators are now not expecting a rise in the interest rate until the second half of 2015. Capita, who provide a treasury advisory service to Devon County

* The figures as at 31 March 2014 and 31 December 2014 include respectively around £20.4m and £16.5m related to the Growing Places Fund (GPF). Devon County Council has agreed to be the local accountable body for the GPF, which has been established by the Department for Communities and Local Government to enable the development of local funds to address infrastructure constraints, promoting economic growth and the delivery of jobs and houses. The Council is working in partnership with the Local Economic Partnership, and interest achieved on the GPF cash, based on the average rate achieved by the Council's investments, will accrue to the GPF and not to the County Council.

Council, has also amended its forecast and has pushed back its forecast for the first rise to December 2015.

The following Table C sets out interest rate forecasts over the next year. These surveys of industry practitioners reflect the view that rates will increase from the second half of 2015, but only in small increments. The longer-term rates available from the Public Works Loan Board (PWLB) are forecast to increase marginally across the entire maturity range.

Table C – Base Rate Forecasts and PWLB Rates

	Dec (act) 2014	March 2015	June 2015	Sep 2015	Dec 2015	March 2016
Base Rate						
Capita	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%
Legal & General Investment Management	0.50%	0.50%	-	-	0.75%	-
Bloomberg L.P. - Survey of Market Participants (median value)	0.50%	0.50%	-	-	1.25%	-

	Dec 2014	March 2015	June 2015	Sep 2015	Dec 2015	March 2016
PWLB Rates						
Capita forecast						
10 Year	2.60%	2.80%	2.80%	3.00%	3.20%	3.30%
25 Year	3.30%	3.40%	3.50%	3.70%	3.80%	4.00%
50 Year	3.30%	3.40%	3.50%	3.70%	3.80%	4.00%

When budgeting for interest payments and receipts a prudent approach has been adopted to ensure that, as far as is possible, both budgets will be achieved.

Borrowing Strategy 2015/16 – 2017/18

The overall aims of the Council's borrowing strategy are to achieve:

- Borrowing at the lowest rates possible in the most appropriate periods;
- The minimum borrowing costs and expenses; and
- A reduction in the average interest rate of the debt portfolio.

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without incurring a financial penalty. Capital expenditure new starts have been limited to those that were financed from sources other than borrowing.

This strategy has worked well in a period of austerity. The Council's external borrowing level has reduced by £102m to £508m from 2008/09, whilst budgeted Capital Financing Charges reduced from £56.9m in 2011/12 to £53.6m in 2014/15.

However, as part of the process of setting the Capital Programme for 2015/16 – 2019/20, it was recognised that there are significant demands that will require additional

capital expenditure. A review was therefore carried out to determine whether additional external borrowing would be required, given that current interest rates are extremely low and likely to increase. The review has identified a number of high priority schemes which require funding, but it has also been determined that these schemes can be funded from capital receipts.

There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its budget in the coming years and it is therefore difficult to imagine how significant additional borrowing could be financed. As a result the Medium Term Financial Strategy continues to assume that, over the three year period, no new long-term borrowing will be required, although this will be kept under review.

The potential to repay further debt, or refinance debt at lower rates, will continue to be closely monitored. The loans in the Council's current debt portfolio all have maturity dates beyond 2027. Under their current policy the Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. With current low rates of interest this would be a significant cost which would impair the benefit of repayment.

Therefore it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise and cancel out the repayment premiums. The Treasury Management team will monitor gilt yields on a daily basis, and will look to repay debt if yields rise sufficiently to cancel out the premiums, and sufficient cash is available. This may provide an opportunity in the next couple of years to repay borrowing of £19m without incurring a premium.

It is forecast that as at 31 March 2015 the Council will have cash balances of around £100m. A prudent level of balances is required to meet cashflow. In addition, the cash balances will in part be made up of earmarked reserves and will therefore be committed to meeting Council expenditure. As a result the Council's ability to repay more than a small proportion of its external debt will be limited.

If short-term borrowing is required to aid cashflow, this will be targeted at an average rate of 1%.

Treasury Management Prudential Indicators

These indicators seek to reduce the risks associated with fixed and variable interest rate loans and with borrowing for different loan periods.

Borrowing at fixed rates of interest for long periods can give the opportunity to lock into low rates and provide stability, but means that there is a risk of missing possible opportunities to borrow at even lower rates in the medium term.

Variable rate borrowing can be advantageous when rates are falling, but also means that there is a risk of volatility and a vulnerability to unexpected rate rises.

Borrowing for short periods or having large amounts of debt maturing (and having to be re-borrowed) in one year increases the risk of being forced to borrow when rates are high.

The Council's policy has been to borrow at fixed rates of interest when rates are considered attractive.

The proposed Prudential Indicators for 2015/16 and beyond are set out in Table D below:

Table D – Treasury Management Prudential Indicators

Prudential Indicators	Upper Limit	Lower Limit
	%	%
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	20	0
12 Months to within 24 months	25	0
24 Months to within 5 Years	30	0
5 years and within 10 Years	35	0
10 years and within 20 years	45	0
20 years and within 30 years	55	0
30 years and within 40 years	65	0
40 years and within 50 years	75	20

The limits have been set taking into account the CIPFA Code of Practice which requires that the maturity date for LOBO (Lender Option Borrower Option) loans is assumed to be the next call date, rather than the total term of the loan. This will apply to the Council's Money Market loans.

Limits to Debt

The Authorised Limit represents the level at which the council is able to undertake borrowing and in addition enter into other long term liabilities. Additional borrowing beyond this level is prohibited unless the limit is revised by the Council. Table E details the recommended Authorised Limits for 2015/16-2019/20.

Table E – Authorised Limits

	2015/16	2016/17	2017/18	2018/19	2019/20
	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limits for External Debt	807,239	790,738	769,686	742,382	714,728

The Operational Boundary is based on the anticipated level of external debt and other long term liabilities during the year. Variations in cash flow may lead to occasional, short term breaches of the Operational Boundary that are acceptable. Sustained breaches would be an indication that there may be a danger of exceeding the Authorised Limits. Table F below details the recommended Operational Boundaries for 2015/16 and following years.

Table F – Operational Limits

	2015/16	2016/17	2017/18	2018/19	2019/20
	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Operational Limits for External Debt	782,239	765,738	744,686	717,382	689,728

The forecast opening balance for External Borrowing at 1 April 2015 is £507.85 million. The forecast closing balance for External Borrowing at 31 March 2016 is £507.85 million.

The Council also needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement. Table G below details the Capital Financing Requirement against the total gross debt plus other long term liabilities.

Table G – Underlying Borrowing Requirement to Gross Debt

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Capital Financing Requirement	737,239	720,738	699,687	672,382	644,728
Gross Debt and Other Long Term Liabilities	603,838	601,133	599,172	596,091	592,911
Under / (Over) Borrowing	133,401	119,605	100,514	76,291	51,817

The debt management strategy and borrowing limits for the period 2015/16 to 2019/20 have been set to ensure that over the medium term net borrowing will only be for capital purposes.

Monitoring the Indicators

It is important to monitor performance against forward looking indicators and the requirement that borrowing should only be for capital purposes. The total level of borrowing will be monitored daily against both the operational boundary and the authorised limit. If monitoring indicates that the authorised limit will be breached, a report will be brought to the Cabinet outlining what action would be necessary to prevent borrowing exceeding the limit and the impact on the revenue budget of breaching the limit. It will be for the Cabinet to make recommendations to the County Council to raise the limit if it is felt appropriate to do so.

The indicators for capital expenditure, capital financing requirement, capital financing costs and the treasury management indicators will be monitored monthly. Any significant variations against these indicators will be reported to the Cabinet.

Investment Strategy 2015/16 – 2017/18

The County Council continues to adopt a very prudent approach to counterparties to whom the County Council is willing to lend. As a result only a small number of selected UK banks and building societies and Non-Eurozone overseas banks in highly rated countries are being used, subject to strict criteria and the prudent management of deposits with them. The lending policy is kept under constant review with reference to strict criteria for inclusion in the counterparty list.

The Treasury Management Strategy will continue to be set to ensure a prudent and secure approach.

The full County Council is required under the guidance in the CIPFA Treasury Management Code of Practice to approve an Annual Investment Strategy.

The overall aims of the Council's strategy continue to be to:

- Limit the risk to the loss of capital;
- Ensure that funds are always available to meet cash flow requirements;
- Maximise investment returns, consistent with the first two aims; and
- Review new investment instruments as they come to the Local Authority market, and to assess whether they could be a useful part of our investment process.

The overriding objective will be to invest prudently, with priority being given to security and liquidity before yield.

A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. However, these alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. The Council's policy therefore is not to invest in these more risky and less liquid forms of investment.

Security is achieved by the creation of an 'Approved List of Counterparties'. These are the banks, building societies, money market funds and other public bodies with whom we are prepared to deposit funds. In preparing the list, a number of criteria will be used not only to determine who is on the list, but also to set limits as to how much money can be placed with them, and how long that money can be placed for.

Banks are expected to have a high credit rating. The Council uses the ratings issued by all three of the major credit rating agencies, Fitch, Moody's and Standard & Poor's, made available to the Council through its external Treasury Advisors. These are monitored daily.

The lowest rating published by any of the agencies is used to decide whether an institution is eligible for inclusion. This rating also determines the maximum amount which can be loaned to an individual counterparty. Additionally, any bank in which the UK Government has in excess of a 30% shareholding will be considered to be a safer investment. Non-Eurozone overseas banks that meet the criteria are included from countries with a high Sovereign rating.

The time length of all deposits with financial institutions will be managed prudently, taking account of the latest advice from the Council's external advisors.

Money Market Funds must have an 'AAA' rating, but are not currently being used.

Other public sector bodies are principally arms of Government, or other local authorities, and although not rated are deemed suitable counterparties because of their inherent low risk.

The 'Approved List of Counterparties' specifies individual institutions, and is formally reviewed at least monthly. Notification of credit rating downgrades (or other market intelligence) is acted upon immediately, resulting in any further lending being suspended.

Table H below summarises the current 'Approved List' criteria.

Table H – Counterparty Approved List Summary

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks with >30% UK Government ownership				
not below	A- & F1	A3 & P-1	A- & A-1	£50 million
Other UK Banks				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Building Societies				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
Non-Eurozone Overseas Banks				
Sovereign Rating of	AAA	Aaa	AAA	
and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies				
Central Government				
– Debt Management Office				Unlimited
Local Government				
– County Councils				£10 million
– Metropolitan Authorities				£10 million
– London Boroughs				£10 million
– English Unitaries				£10 million
– Scottish Authorities				£10 million
– English Districts				£5 million
– Welsh Authorities				£5 million
Fire & Police Authorities				
				£5 million
Money Market Funds				
	AAA	Aaa	AAA	Not in use

The credit ratings shown in the table for banks and building societies allow for greater sensitivity in recognising counterparty risk. Liquidity in investments is the second key factor in determining our strategy. Funds may be earmarked for specific purposes or may be general balances, and this will be a consideration in determining the period over which the investment will be made.

The counterparty limits shown in the table also apply at a banking group level. This ensures that the Council is not exposed to the risk of having maximum sums invested in multiple institutions owned by a group that encounters financial difficulties.

Credit ratings are subject to change, and a review of implied Government support for banks within its jurisdiction may lead to downgrades across the banking sector. Should such an event occur and have a significant impact on the Council's ability to implement its investment strategy then a report will be brought to Cabinet to consider any changes required to achieve the objective of our investment strategy going forwards.

The Council has a self-imposed limit of ensuring that at least 15% of deposits will be realisable within one month.

A requirement of the Prudential Code is to establish an indicator of the total principal sum invested for a period longer than 364 days, and to state the basis used in determining the amount. The purpose of this indicator is to help the Council to contain

its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

The limit on investments over 364 days will be set at no more than 20% of the total loans outstanding at any time or £30m whichever is the lower.

For the period 2015/16 – 2017/18 it has been assumed that the interest rate earned on short-term lending will be 0.65% p.a. throughout the three years. This will be reviewed in the light of changes to the Bank of England's base rate and any consequential improvement in the rates on offer. The inclusion of overseas counterparties provides additional flexibility, but the rates offered by some banks have reduced over the last year. The target we have set is thought to be one that is achievable.

Performance Targets

The primary targets of the Treasury Management Strategy are to minimise interest payments and maximise interest receipts over the long term whilst achieving annual budgets, without taking undue risk. Where there are comparative statistics available for individual aspects of the Strategy (e.g. the CIPFA Treasury Management Statistics) these will be used to monitor performance.

FEES AND CHARGES

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

that Members:

- i) Approve that changes to charges in relation to inflationary increases be agreed by the Cabinet Member in consultation with the Treasurer;
- j) Approve the increase of post 16 transport fees from September 2015 and for these fees to be reviewed on an annual basis; and
- k) Approve that changes to charges within Place Services be agreed by the Cabinet Member in consultation with the Treasurer.

Introduction

Income budgets include the impact of increases in some fees and charges. Most of these are small increases that in line with previous practice will be approved by the relevant Cabinet Member.

This report identifies those fees and charges, included within the 2015/16 People Services revenue budget, that are either new, sensitive or above the rate of estimated inflation.

It is proposed that changes in relation to Place Services fees and charges be set by Cabinet Member delegation. The report below provides an over-view of the changes.

There are no significant budgeted changes to Fees and Charges for Corporate Services functions.

People

Post 16 and concessionary transport fees have been reviewed for the academic year 2015/16 to take account of increasing transport costs and the future sustainability of the post 16 transport scheme overall. Fees were last increased in 2011.

Since the fees were last increased there has been a 43% reduction in the number of Post-16 students the County Council funds, to just over 2100 students. For some students lower cost public transport options are available and for others the scheme offered by their local college is more generous than the County Council scheme.

The County Council scheme remains important as it is a safety net for students where no regular public transport is available and for students with additional needs who are unable to travel on conventional transport (the number of Special Educational Needs (SEN) passengers has actually increased by 8% since 2011).

To increase the fees from September 2015 and for these fees to be reviewed on an annual basis. The recommendations will provide a way of sustaining the Post 16 transport scheme.

Sector	Proposed fee	Current fee	%age change
Contribution for Post-16 passengers	£520	£500	4%
Contribution for Post-16 transport (if meeting the low income criteria)	£260	£250	4%
Discount on contribution for Post-16 transport if paid in full in advance	£30	£30	
Contribution for Concessionary passengers	£520	£500	4%

The increase will be introduced part way through the 2015/16 financial year with additional income in the region of £26,000. For the 2016/17 the expected additional full year income will be £38,000.

Place

Historic Environment

New charges are proposed for historic environment services. The first of these relates to charges for the licenced, commercial use of data supplied from the Historic Environment Record; such charges are intended to cover the staff and associated costs of providing these data. The second set of charges relates to the provision of a specialist advisory service to landowners and developers, prior to their submission of planning applications. Such charges are currently standard practice in many other upper tier and unitary authorities. The income generated by these charges will be used to offset required budget saving as suggested at the Joint Scrutiny Meeting and will help to protect the provision of these statutory services.

Highways and Traffic Management

Traffic Management

It is proposed that Resident Permit charges increase by £10 per annum to reflect the actual cost of implementing, enforcing and maintaining these schemes, with a proposed higher charge of £50 per annum for second permits for higher emission cars to promote greener travel choices and improve air quality. In addition, a range of new dispensation permits is to be made available to improve quick access to permits for certain business activities e.g. tradespeople undertaking works in resident permit zones.

Pay and display charges are being reviewed in order to update charges to be in line with the long standing aim of promoting off street parking/car parks for long stay and on street places for shorter stays. In practice this means longer stay tariffs (above 1hr) will be brought in line with District off street long stay tariffs, with short stay tariffs mainly staying at the current lower level.

Residential disabled bay provision is currently being reviewed with consideration of a charge to the applicant for the associated lining and signing works (around £150). This is like many other local authorities that have made the decision to continue to supply these bays. In a similar vein Access Protection Markings will be included for a charge to applicant for associated costs (around £60).

Highways Management

Charges have been reviewed and brought in line with other authorities. This has resulted in some charges increasing above inflation and new charges being introduced to provide a more flexible pricing structure.

Library Service

The service has reviewed various fees and charges in light of changing provision of services. The charges for hire of premises have been restructured based after comparing the market in each location.

Waste

A range of further charges for the disposal of non-household will be implemented at Devon's recycling Centres in line with the public consultation which took place in October 2014. Devon has a legal obligation to dispose of household waste at no charge. Items falling outside this definition, mainly around DIY home improvement types of waste can incur a charge. These charges will in the region of £3.50 an item and collected by the centre contractors.

Heritage Centre

As of 1st November 2014 the responsibility for setting fees and charges for services was moved to the South West Heritage Trust.

The increased charges are expected to generate £404,000 additional income during 2015/16.

**People, Place and Corporate
Services Revenue Budget 2015/16
and Capital Programme 2015/16 to
2019/20**



People Services	1
Director's Commentary	2
How the 2015/16 Budget has been built up	6
Staffing Data	7
Analysis of Total Expenditure for 2015/16	8
Grants and Contributions.....	9
Service Statistics.....	10
Adult Social Care	14
Children's Social Work and Child Protection	16
Social Care Commissioning	18
Education and Learning (General Fund).....	20
Education and Learning (Dedicated Schools Grant and other schools funding).....	22
Capital Programme	24
Place Services	25
Director's Commentary	26
How the 2015/16 Budget has been built up	29
Staffing Data	30
Analysis of Total Expenditure for 2015/16	31
Grants and Contributions.....	32
Service Statistics.....	33
Economy and Enterprise.....	36
Highways and Traffic Management.....	38
Capital Development and Waste Management.....	40
Planning, Transportation and Environment.....	42
Service for Communities	44
Capital Programme	46
Corporate Services	51
Chief Executive's Commentary	52
How the 2015/16 Budget has been built up	53
Staffing Data	54
Analysis of Total Expenditure for 2015/16	55
Grants and Contributions.....	56
Service Statistics and Other Information	57
Business Strategy and Support	58
Chief Executive, Legal and Communications.....	60
Human Resources.....	62
Public Health.....	64
Treasurer's Services	66
Capital Programme	68

This page is left blank intentionally

People Services

Director's Commentary

People has an established track record of delivery against challenging savings targets at the same time as facing increasing expectations and regulatory challenges. 2014/15 has been a year of great change for all the services within People. We have made difficult decisions to close certain services, to redesign others and we continue to work to improve our practice and performance in Children's social care. Many savings strategies announced last year are on the path to delivery and are progressing well now despite delays earlier in 2014/15.

Financially in 2014/15, after allowing for reduced funding to the Council, inflation and demand pressures, People had to find £21.4 millions of reductions, offset by £3 millions of additional protection for social care agreed by the local NHS Clinical Commissioning Groups (CCGs). In the budget presented here for 2015/16, we have to find a total of £32.1 millions of reductions, offset by £10 millions of protection for social care, agreed with the CCGs through the mechanism of the new Better Care Fund which will operate for the first time in 2015/16.

Many of the savings for 2015/16 represent the effect in next year of decisions already taken and plans already being progressed, for instance the ceasing of services in most of our in-house residential homes and many day centres for older people; the redesigning of the youth service around local hubs; the closure of children's homes. Many strategies are long term and we are beginning to see the beneficial financial effects of investment in the fostering service 2 years ago. Other highly successful strategies such as the reablement service for adults will be scaled up to reap further benefits, and there are continuing efforts in all services to ensure that we always obtain the best prices we can consistent with the right sustainable quality.

In Children's safeguarding, our focus is very much on early help. We are beginning to reduce demand and really focus on getting children the right support of the right quality at the right place and time. There is no easy menu for this process; it has to recognise the individual situation of children and their families and requires very difficult judgements, using intelligence across many different agencies. But the difficulty cannot become a reason for not making timely assessments of what is needed, and we have to support our front line staff in this. Early help also makes use of universal services - we are creating a continuum of support for the most vulnerable children from universal services in children's centres and schools through work targeted to support families who are experiencing difficulties. Ultimately if a young child does need to be taken into care, we must work decisively to find a solution that suits their needs - either returning to their family where this is possible with support from the Council and other agencies, or if this is not possible, to find a permanent home for the child by adoption.

In the meantime of course fostering remains and will always be a vital, hugely valued service, and we need to recruit foster carers with the right skills and the right levels of support from our fostering team that enable us to place children going through very difficult times in a caring family. Partly because the numbers of children needing care have fallen in Devon, and partly because we have children settled with external agencies, the increase in internal fostering has not been as fast as we anticipated in last year's budget, and so budget to budget, there is a switch in expenditure from internal to external fostering. It is to be emphasised that this does not mean a reversal in the strategy - in fact internal fostering placements continue to increase while external fostering is becoming rarer.

The strategy of increasing the number of children adopted has been very successful, with forty children adopted in the first 6 months of the financial year, and it is very pleasing that Devon won the LA Adoption Team of the Year award recently. We must continue to make successful adoptions at this rate, which is not only delivering improved outcomes for children, but is also effective for budgets.

As the strategies begin to take effect by reducing the number of children we are dealing with at any one time and by increasing the stability of placements for those children who are taken into care, we will be able to reduce the investment in staffing that has been necessary in recent years and especially reduce our reliance on higher cost agency staff – although it is highly likely that a certain level of agency staff will always be needed in the service to even out the peaks and troughs of need. We have successfully implemented a strategy to employ newly qualified social workers on to our ASYE (assessed and supported year in employment) programme, which represents a positive investment for the future – improving practice and reducing costs. As emphasised in last year’s budget, we must have a financial plan that works on certain assumptions – we have to steer a financial course that is realistic but challenging. Inevitably it is difficult to predict caseloads in children’s services, but that is what we have to do. At the moment we predict a reduction in the staffing need for the reasons given above and this budget contains a reduction of £883,000 in staff costs before inflation. This is our financial plan and it reflects a considered view of what is most likely to be needed - but it is also clear that the reduction can be activated only as caseloads reduce. The essential principle that the staff dealing with very difficult cases must not be overloaded is fully recognised, and if these savings cannot be made other savings will have to be identified.

Efficiency improvements in transport will be made across all people services by continuing route reviews, clearer eligibility criteria and processes of decision that consider more alternatives. Transport costs both for vulnerable groups and personalised transport for individuals are the greatest pressure in Education and Learning budgets. More generally contract changes for Children’s Centres to become better targeted at supporting more vulnerable children need to be delivered, and there is a greater emphasis in schools in general on targeting work and contracts towards more vulnerable children. £500,000 of funding from public health is being supplied to support schools in dealing with emotional well-being under the Early Help Strategy to support children sooner. The virtual school has been reviewed to bring greater capacity within the DCC core and to develop roles that better promote educational outcomes for individual children in care.

In our wider responsibilities to all children, we are very pleased at the excellent job done by very many schools in Devon. We will now refocus the commissioning of the Learning and Development Partnership to address gaps in educational outcomes between vulnerable groups and their peers. The Council has welcomed the additional funding for schools of £390 millions nationally, (an extra £16 millions for Devon) identified by the government to provide minimum funding levels to all councils. While this is a step in the right direction, it still leaves Devon a relatively poorly funded council and is only an interim solution, despite the promise of a revised national funding regime in this government. We will continue to lobby for change until there is a fairer funding regime and importantly one that allows schools and the Council to plan properly for future education needs. Until we and schools can predict future funding better, it is inevitable that schools will take a cautious approach to budget setting and spend.

In Adult Social Care rising demand for services continues as the backdrop to all that our teams do. Services for younger adults with disabilities or a mental health condition continue to rise rapidly nationally, as does the number of older people who are more likely to need social care support. Devon has one of the most elderly population profiles in the country, with people over 75 years of age comprising 11.2% of our population - 3.2 percentage points above the average for England. The Office of National Statistics predicts that the number of people over the age of 75 in Devon will increase by 2% next year, rising to 4% per year by 2020. Clearly when underlying levels of demand are increasing at these rates year after year, while cash is reducing under austerity measures, how we respond and manage these services becomes ever more important.

Across the country, financial austerity means that the boundary between what the state will provide and what individuals or communities can be expected to do for themselves is being tested. It is essential that we continue to protect the most vulnerable and meet

our statutory duties, but now, in doing so, we must look always for innovative ways of maximising the effectiveness of our spending and must always ensure that we apply thresholds for needs appropriately.

While austerity in the public sector continues to restrain funding the upturn in the wider economy is putting pressure on providers of care, because labour costs are rising. This is important in care of all types commissioned from the independent sector, but is particularly so in the supply of personal care, because wage costs are a very high proportion of the price, while pay is relatively low and there is high turnover of staff, who may seek opportunities elsewhere if they are presented. We are actively seeking other ways to get care to vulnerable people including working with NHS providers. In 2015/16 we intend to tender for personal care, which has a value of approximately £30 million. Against rising costs, there is inevitably risk that the prices resulting from the tender will be higher than we have modelled.

2015/16 will see the institution of the Better Care Fund, which in Devon has a value of £59.7 millions, much of which is to be spent on health care. It should be noted that, in contrast to previous section 256 funding for additional social care, the Better Care Fund is not made up of additional funding. Its objective is to integrate social care with health care, and thus achieve better outcomes for people who need services as well as efficiency savings across health and social care by eliminating duplications and avoiding unnecessary costs. We are committed to the programme of change and the approach builds on existing strong relations at strategic level as well as practical work on the ground in our integrated teams. However we have to also recognise that the health organisations and the Council are all under financial pressure and that there are particularly strong financial challenges within the area of the North East and West Devon CCG. The risk of partners being under financial challenge is threefold; firstly there is a need for vigilance to ensure that statutory responsibilities of different agencies are maintained in areas where budgets are not pooled; secondly, wider pooling itself is far more difficult if there is not enough money in total; and thirdly there is a risk that insufficient funding is freed in the short term to create the changes in service delivery that are needed in the longer term. In Devon, although the difficulties of working with partners across geographical and organisational boundaries should not be understated, we have good governance established and are actively seeking to align our approach not just with the two Clinical Commissioning Groups, but also with NHS provider organisations including the hospital trusts and other health providers.

Financially the most critical new duties under the Care Act are effective from April 2016, although planning and implementation will proceed in 2015/16 so that we are ready at that point. There are new duties that start from April 2015, notably new eligibility criteria which are yet to be tested, and a new duty to assess the needs of and apply support where there are eligible needs for carers of adults which will lead to an increase in the number of staff required. Furthermore, from October 2015 people who currently fund their own care will be able to require an assessment in preparation for the Care Accounts mechanism starting the following April. There is high future uncertainty post 2015/16 concerning firstly the extent and pace of change of increased cost, and secondly, how much funding will be made available and distributed to local authorities. We continue to work on our predictions in conjunction with other authorities in the region and nationally so that we are as prepared as possible. For the coming year while we believe that the funding committed by the government (£2 millions of which has been allocated under government guidance within the Better Care Fund) will be sufficient to meet what we need to do in implementing the changes, there is great uncertainty in the 3 areas stated above – the funding reforms and the new duty to Carers are to be welcomed but costs are exceedingly difficult to predict.

In summary across all areas, to protect the most vulnerable people in Devon in these times of austerity, we have to respond to rising demand and higher cost by listening to what children and adults say they need, understanding the statutory context and risks, then considering all alternatives to meet those needs; manage our markets so that

providers and partners know our commissioning intentions; ensure that contracts are set at the best prices consistent with the right sustainable quality; build on existing successful strategies to reduce cost; meet increasingly rigorous inspection regimes; and ensure that we are vigilant in keeping watch on the statutory boundaries where our responsibility touches on that of other agencies.

Jennie Stephens

Strategic Director People

References

Projections of Demand for Social Care and Disability Benefits for Younger Adults in England

<http://www.poppi.org.uk/>

<http://www.pansi.org.uk/>

Care Act 2014

<http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted>

For more information on the contents of this section, contact John Holme, Assistant County Treasurer, 01392 38 2357 - john.holme@devon.gov.uk

How the 2015/16 Budget has been built up

	2014/15 Adjusted Budget	Changes	2015/16 Outturn Budget
	£'000	£'000	£'000
Adult Social Care	185,201	(6,768)	178,433
Childrens Social Work and Child Protection	71,135	(5,437)	65,698
Social Care Commissioning	11,579	(547)	11,032
Education and Learning - General Fund	45,581	(3,365)	42,216
Education and Learning - School Funding	0	0	0
Total	313,496	(16,117)	297,379

	Change £'000
Reasons for changes in Revenue Budget	
Technical and Service Changes	
Additional spend on services - inflation, demographic and other growth in demand	15,994
Savings requirements	
Cash Reduction	(16,117)
Removal of one-off budgets	0
Inflation and pressures	(15,994)
Total	(32,111)
Total	(16,117)

Savings Strategies Analysis	
Strategies to reduce the number of children needing care by early help to families; to reduce the cost of placements and ensure appropriate contributions by other agencies	(4,308)
Implementation of reduced in house residential care provision	(5,208)
Identify permanent places such as adoption more quickly where appropriate	(836)
Further personalise the approach to adult care, so that people choose how to direct resources to achieve the outcomes they need	(2,453)
Prevention strategies in adult care including extending the reablement service and introduction of extra care settings	(865)
Reduce staffing costs especially agency staff as Children's Social work caseloads decrease and practice improves	(883)
Consolidation and cost reductions from various external contracts	(2,504)
Home to school/college transport - efficiency savings and personalised approach to transport	(490)
High cost case reviews (Adults)	(671)
Review of services for youth	(997)
Review of Early Years contracts and service	(796)
Contributions from NHS Clinical Commissioning Group to protect Social Care within the Better Care Fund	(10,000)
Special School residential places review and redirection to DSG	(2,100)
	(32,111)

Staffing Data

	2014/15		2015/16		Total FTEs
	Adjusted Total	Changes	Revenue Funded	Externally Funded	
	FTEs	FTEs	FTEs	FTEs	
Adult Social Care	1,417	(298)	976	143	1,119
Children's Social Work and Child Protection	703	(24)	650	29	679
Social Care Commissioning	90	16	105	1	106
Education and Learning	160	(9)	117	34	151
Total	2,370	(315)	1,848	207	2,055

Explanation of Movements

Adult Social Care

Assessment & support staff funded by Better Care Fund to meet duties required by Care Act	56
Reconfiguration of service - Adult Mental Health Practitioners - front line specialist workers	3
Implementation of reduced in house residential care provision	(363)
Adult Safeguarding - National court ruling in respect of Deprivation of Liberty Safeguards	6
	(298)

Children's Social Work and Child Protection

Implementation of reduced in house residential care provision	(13)
Restructure of fostering service	(21)
Troubled Families externally funded posts	17
Restructure of social work	(7)
	(24)

Social Care Commissioning

Investment in the monitoring of the quality of care	7
Investment in high cost case review capacity	2
Externally funded investment in Direct Payments	1
Transfer of Youth Participation Workers from Children's Social Work and Child Protection	2
Additional capacity to deliver Care Act requirements and other strategic savings	4
	16

Education and Learning

Recommissioning escorts under external contractors for pupils with additional needs	(6)
Special Educational Services - Restructure	(2)
Facilitation and Representation - corporate centralisation of budget	(1)
	(9)

Total	(315)
--------------	--------------

Analysis of Total Expenditure for 2015/16

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	241,242	(21,787)	(41,022)	0	178,433
Childrens Social Work and Child Protection	70,420	(3,308)	(270)	(1,144)	65,698
Social Care Commissioning	11,724	(688)	0	(4)	11,032
Education and Learning - General Fund	44,584	0	(1,584)	(784)	42,216
Education and Learning - School Funding	494,514	(494,009)	(339)	(166)	0
Total	862,484	(519,792)	(43,215)	(2,098)	297,379

The following services (which are not included above) are wholly self-funded and do not impact on Council Tax.

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Childrens Social Work and Child Protection					
Atkinson Unit	2,754	(136)	(2,094)	(524)	0
Total	2,754	(136)	(2,094)	(524)	0
Grand total	865,238	(519,928)	(45,309)	(2,622)	297,379

Grants and Contributions

Service and Grant title	Funded by	Amount £'000
Adult Social Care		
Local Reform Community Voices Grant Contributions	Department of Health Health and other local authorities	177 <u>21,610</u>
		21,787
Children's Social Work and Child Protection		
Newly Qualified Social Workers / ASYE	Department for Education	26
Youth Offending Team	Youth Justice Board	332
Police & Crime Commissioner Grant	Office of the Police & Crime Commissioner	24
Unaccompanied Asylum Seekers Grant	Department of Health	61
Troubled Families Programme Contributions	Department for Communities & Local Government Health and other local authorities	1,689 <u>1,312</u>
		3,444
Social Care Commissioning		
Local Reform Community Voices Grant Contributions	Department of Health Health and other local authorities	305 <u>383</u>
		688
Education and Learning - Dedicated Schools Grant		
Dedicated Schools Grant*	Department for Education	460,401
Early Years - Disadvantaged 2 Year Olds**	Department for Education	5,175
Post 16 Funding	Department for Education	5,275
Pupil Premium	Department for Education	22,691
Contributions	Health and other local authorities	<u>467</u>
		494,009
Total		519,928

*The Dedicated Schools Grant is estimated on October 2014 pupil numbers.
The final grant allocation is expected to be notified by mid February 2015

** Initial allocations for the funding of 2 year olds will be announced in June 2015

Service Statistics

Education and Learning

Number of Local Authority Maintained schools and Academies

at Dec 2014

		Number of organisations	Number of Schools	
Devon Maintained schools				
Federations		38	103	
Management Partnerships		12	22	
% of schools actively collaborating			43%	
Free Schools				
All Academies				
Number of schools in multi-Academy trusts/collaborations			59	
% of Academies in multi Academy trusts/collaborations			83%	
Total all schools and Academies			364	
Number of pupils in LA maintained schools				
		Oct-2013	Change	Oct-2014
Nursery Schools	Hours being funded converted to FTE	102	1	103
Maintained Nurseries within Primary Schools	Hours being funded converted to FTE	1,308	(3)	1,305
Primary Schools	Numbers on Roll	44,151	(598)	43,553
Secondary Schools	Numbers on Roll	14,895	(339)	14,556
		60,456	(939)	59,517
Number of pupils in Academy schools				
Maintained Nurseries within Primary Academies	Hours being Funded (included with EY Independent Provision)	222	45	267
Primary Schools	Numbers on Roll	7,336	1,794	9,130
Secondary Schools	Numbers on Roll	19,715	(134)	19,581
		27,273	1,705	28,978
Number of pupils in Free schools				
Primary Schools	Numbers on Roll	100	122	222
Secondary Schools	Numbers on Roll	86	126	212
		186	248	434
Total number of pupils in LA Maintained schools, Academies and Free schools				
Nursery Schools		1,632	43	1,675
Primary Schools (including Free schools)		51,587	1,318	52,905
Secondary Schools (including Free schools)		34,696	(347)	34,349
		87,915	1,014	88,929
Percentage of pupils in academy schools				
Maintained Nurseries within Primary Academies	Hours being Funded (included with EY Independent Provision)	13.6%	2.3%	15.9%
Primary Schools	Numbers on Roll	14.2%	3.0%	17.2%
Secondary Schools	Numbers on Roll	56.8%	0.2%	57.0%

Early Years Education Provision		2014/15	Change	2015/16
Early Years Independent Provision	Pupil Numbers FTE	8,050	126	8,176
Early Years Entitlement Take up	Percentage of eligible children	93.0%	4.6%	97.6%
Disadvantaged Two Year Olds	Pupil Numbers	2,400	200	2,600
Young People with Additional Needs		Actual January 2014	Change	Estimated January 2015
Statemented Pupils (Statutory)	Number of young people with a Statutory statement	2,416	(458)	1,958
Pupils with a 'My Plan' (non statutory)	No of young people with a 'My Plan'	0	91	91
Independent Special Schools (pre 16)	Pupil Numbers	140	(6)	134
		Places 2014/15	Change	Planned places 2015/16
Maintained Special Schools Pre 16	Number of Planned Places	809	15	824
Maintained Special Schools Post 16	Number of Planned Places	100	0	100
Post 16 placements: young people with learning difficulties & disabilities (excl Special Schools)	Number of Planned Places	452	(28)	424
Devon Personalised Learning Service	Number of Learners	250	0	250
Transport		Expected 2014/15	Change	Estimated 2015/16
School/ College Transport	Pupil Numbers p.a.	15,241	(530)	14,711
SEN Transport	Pupil Numbers p.a.	1,541	(33)	1,508
Looked After Children (incl ICS)				
External Residential	Number of young people	72	(14)	58
Fostering Placements	Number of young people	426	(76)	350
External Supported Lodgings/Housing	Number of young people	12	0	12
Independent Living	Number of young people	6	0	6
Internal Residential Special School	Number of young people	12	0	12
Medical Establishment	Number of young people	12	0	12
Placed For Adoption	Number of young people	75	43	118
Secure Welfare	Number of young people	2	0	2
Custody/Remand	Number of young people	3	0	3
Total Looked After Children		620	(47)	573

Other Childrens Services and Children with Additional Needs (incl ICS)

Staying Put/Care Leavers	Number of young people	59	(4)	55
Children subject to a Child Protection Plan	Number of young people	722	(142)	580
Children in Need - Assessments	Number of young people	7,290	(280)	7,010
Adoption Allowances	Number of young people	138	14	152
Special Guardianship Order Allowances	Number of young people	188	24	212
Residence/Child Arrangement Order Allowances	Number of young people	45	46	91
Adoption Orders	Number of young people	62	7	69

Integrated Children's Service

Direct Payments (Children with Special Needs)	Number of young people	1,272	103	1,375
---	------------------------	-------	-----	-------

Adult Social Care

		2014/15	Change	2015/16
Reablement (across all client groups)	Service Users	1,920	384	2,304

These are new people expected to go through the reablement process

**Number of people receiving service
Average through Year**

		2014/15	Change	2015/16
Older People and Disability - Commissioning				
Residential Care	Service Users	1,899	182	2,081
Nursing Care	Service Users	551	(43)	508
Respite	Service Users	16	22	38
FACS Eligible Community Based Services*	Service Users	6,391	176	6,567
Older People and Disability - In house				
Residential Care	Service Users	414	(357)	57
Day Care services	Service Users	389	(283)	106
Learning Disabilities - Commissioning				
Residential Care	Service Users	506	(18)	488
Nursing Care	Service Users	18	(4)	14
Respite	Service Users	87	2	89
FACS Eligible Community Based Services*	Service Users	1,640	168	1,808
Autistic Spectrum	Service Users	58	10	68
Learning Disabilities - In house				
Residential Respite Care	Service Users	19	(5)	14
Day Care services	Service Users	211	(17)	194
Community Enabling	Service Users	240	0	240
Mental Health Services				
Residential Care	Service Users	108	5	113
Nursing Care	Service Users	10	(2)	8
Respite	Service Users	2	0	2
FACS Eligible Community Based Services*	Service Users	719	26	745
Universal Services - Open access day care	Service Users	728	0	728
In house Care Provision - Open access day care	Service Users	470	0	470

* Community based services in Learning Disabilities and Mental Health have increased partly due to reviews of Targeted Support, some of whom are now FACS eligible. FACS = Fair Access to Care Service

This page is left blank intentionally

Adult Social Care

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Older People and Disability Services					
18,688	Residential Care	56,273	(29,287)	26,986	8,298
9,024	Nursing Care	13,956	(6,037)	7,919	(1,105)
40,517	FACS Eligible Community Based Services	53,168	(17,130)	36,038	(4,479)
4,470	Targeted Support	4,327	(1,016)	3,311	(1,159)
12,615	Care Management and Brokerage	15,780	(2,136)	13,644	1,029
85,314		143,504	(55,606)	87,898	2,584
Learning Disability Services					
18,853	Residential Care	22,362	(3,480)	18,882	29
460	Nursing Care	481	(75)	406	(54)
33,589	FACS Eligible Community Based Services	37,533	(358)	37,175	3,586
1,726	Care Management	1,873	(199)	1,674	(52)
715	Autistic Spectrum	948	(30)	918	203
55,343		63,197	(4,142)	59,055	3,712
Mental Health Services					
1,932	Residential Care	2,932	(868)	2,064	132
191	Nursing Care	201	(18)	183	(8)
7,628	FACS Eligible Community Based Services	8,781	(965)	7,816	188
3,258	Care Management	3,450	(198)	3,252	(6)
13,009		15,364	(2,049)	13,315	306
In House - DCC Managed Provision Older People and Disability Services					
17,173	Residential Care Including Respite	6,361	(27)	6,334	(10,839)
2,383	Day Care Services	575	(68)	507	(1,876)
895	In House Management and Other	639	0	639	(256)
4,048	Reablement and In-House Domiciliary Care	4,822	(732)	4,090	42
24,499		12,397	(827)	11,570	(12,929)
In House - DCC Managed Provision Learning Disability Services					
1,372	Residential Care Including Respite	1,243	(6)	1,237	(135)
1,282	Community Enabling Service	1,257	0	1,257	(25)
3,197	Day Care Services	2,729	(38)	2,691	(506)
214	In House Management Support	51	0	51	(163)
6,065		5,280	(44)	5,236	(829)
971	Safeguarding Adults Team	1,500	(141)	1,359	388
185,201		241,242	(62,809)	178,433	(6,768)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(44,931) Customer and Client Receipts	(41,022)
(177) Government and EU Grants	(177)
(22,736) Reimbursements	(21,610)
(67,844)	(62,809)

Service Commentary

This service relates to social care for adults. All services are jointly managed with relevant NHS Provider Trusts by integrated health and social care management teams.

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend on services - inflation, demographic and other growth in demand	13,994
Agreed virements across Heads of Service	182
Savings strategies	
Implementation of reduced in house residential care provision	(5,208)
Further personalise the approach to care, so that people choose how to direct resources to achieve the outcomes they need	(2,453)
Prevention strategies in adult care including extending the reablement service and introduction of extra care settings	(865)
Consolidation and cost reductions from various external contracts	(1,747)
High cost case reviews (Adults)	(671)
Contributions from NHS Clinical Commissioning Groups to support Social Care within Better Care Fund	(10,000)
Total	(6,768)

Children's Social Work and Child Protection

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
16,011	Integrated Children's Services	16,105	0	16,105	94
	Looked After Children (Placements)				
5,450	Independent Residential Care	2,949	(695)	2,254	(3,196)
870	Independent Supported Accommodation	390	0	390	(480)
141	Independent Fostering	3,296	0	3,296	3,155
1,767	Internal Supported Accommodation	1,621	0	1,621	(146)
8,386	Internal Fostering	5,424	(61)	5,363	(3,023)
525	Secure Accommodation	558	(42)	516	(9)
17,139		14,238	(798)	13,440	(3,699)
	Looked After Children (Operations)				
1,677	Special Guardianship Orders	1,765	(16)	1,749	72
420	Child Arrangements and Private Kinship	506	0	506	86
1,274	Adoption Allowances and Fees	1,799	(318)	1,481	207
938	Independent Post 18 Placements	766	0	766	(172)
180	Internal Post 18 Placements	689	0	689	509
4,177	Fostering Team	3,475	(22)	3,453	(724)
1,618	Adoption Team	1,687	0	1,687	69
961	Supervised Contact	994	0	994	33
463	Children In Need Support	538	(26)	512	49
11,708		12,219	(382)	11,837	129
	Early Help				
0	Troubled Families	1,689	(1,689)	0	0
577	Family Group Conferencing and Centres	595	(1)	594	17
311	Devon Integrated Support Service	648	(221)	427	116
234	Early Help Co-Ordination	286	0	286	52
295	Reach	344	0	344	49
4,103	Youth Services	4,140	(1,156)	2,984	(1,119)
5,520		7,702	(3,067)	4,635	(885)
1,106	Independent Reviewing Unit	1,138	0	1,138	32
14,334	Social Work Teams	13,769	(131)	13,638	(696)
5,317	Strategic Management and Legal Costs	5,249	(344)	4,905	(412)
71,135		70,420	(4,722)	65,698	(5,437)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(780) Customer and Client Receipts	(270)
(581) Government and EU Grants	(2,132)
(1,064) Internal Recharges	(1,144)
(1,017) Reimbursements	(1,176)
(3,442)	(4,722)

Service Commentary

This service includes all the statutory duties of the Council in relation to child protection and social work for children and young people. It also includes the Youth Service, the Youth Offending Team the Emergency Duty Team and a range of services targeted to support families and so help to avoid the need for children coming into care. The Integrated Children's Service is the Devon County Council element of a joint contract with Clinical Commissioning Groups

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend on services - inflation, demographic and other growth in demand	1,235
Agreed virements across Heads of Service	365
Savings Strategies	
Strategies to reduce the number of children needing care by early help to families; to reduce the cost of placements and ensure appropriate contributions by other agencies	(4,308)
Identify permanent places such as adoption more quickly where appropriate	(836)
Reduce staffing costs especially agency staff as Children's Social Work caseloads decrease and practice improves	(883)
Consolidation and cost reductions from various external contracts	(13)
Review of services for Youth	(997)
Total	(5,437)

Social Care Commissioning

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Social Care Commissioning					
1,273	Strategic Commissioning	1,502	0	1,502	229
672	Information and Quality	1,041	0	1,041	369
7,379	Centrally Managed Contracts	6,845	(642)	6,203	(1,176)
1,238	Change Management	1,383	0	1,383	145
1,017	Operations Support	953	(50)	903	(114)
11,579		11,724	(692)	11,032	(547)

2014/15 £'000	Breakdown of Gross Income	2015/16 £'000
(469)	Government and EU Grants	(305)
(4)	Internal Recharges	(4)
(2,582)	Reimbursements	(383)
(3,055)		(692)

Service Commentary

Social Care Commissioning operates across all People services and comprises the following functions:

Strategic Commissioning staff work to develop and shape the care provider markets from which Devon County Council purchases most of its social care services; to ensure that the right services are available for vulnerable people at the time they are needed and at prices which are affordable within the Council's social care budgets.

Information & Quality comprises the Management Information team responsible for statutory and internal performance, and quality improvement and assurance staff who monitor the quality of all services, whether they are provided internally or purchased externally.

Centrally Managed Contracts are those managed directly by commissioning staff including support to carers, homelessness and service user representation.

Change Management drives the complex transformation required to improve services and which underpins the budget savings strategies across People, in addition to business change in response to a constantly changing regulatory environment.

Operations Support comprises teams of placement brokers and an administration team for Direct Payments as well as business relations staff to manage communication and engagement with providers.

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend on services - inflation, demographic and other growth in demand	37
Agreed virements across Heads of Service	(547)
Savings Strategies	
Consolidation and cost reductions from various external contracts	(37)
Total	(547)

Education and Learning (General Fund)

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Infrastructure					
150	Legal Disbursements	130	0	130	(20)
730	Strategic Management	831	(93)	738	8
0	Teacher Development	293	(293)	0	0
1,121	Teachers Pension - Historic Enhancements	1,141	0	1,141	20
2,001		2,395	(386)	2,009	8
School Improvement and Inclusion Services					
824	Attendance, Safeguarding and Behaviour	889	(64)	825	1
192	Effectiveness and Accessibility: Data	238	0	238	46
0	Early Years	46	(46)	0	0
2,030	Leadership, Management and School	1,725	0	1,725	(305)
272	Prevention and Advisory Services	274	0	274	2
175	Priorities For Strategic, Statutory and Service	227	0	227	52
936	Special Education Services	1,122	(174)	948	12
2,876	Targeted Specialist Services	2,945	(69)	2,876	0
7,305		7,466	(353)	7,113	(192)
Schools Organisation and Transport					
0	Admissions to Academy	81	(81)	0	0
449	Home to College	919	(470)	449	0
12,772	Home to School	13,225	(629)	12,596	(176)
7,092	SEN Transport	7,601	(133)	7,468	376
380	Transport Unit	383	0	383	3
20,693		22,209	(1,313)	20,896	203
206	14 - 19 Services	207	0	207	1
2,780	Vulnerable Groups (Inc. CSW Contract)	2,367	(85)	2,282	(498)
2,419	Special Schools - Residential	319	0	319	(2,100)
10,177	Children's Centres and Early Years Services	9,621	(231)	9,390	(787)
45,581		44,584	(2,368)	42,216	(3,365)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(1,815) Customer and Client Receipts	(1,584)
(927) Government and EU Grants	0
(898) Internal Recharges	(784)
(3,640)	(2,368)

Service Commentary

This service represents the Council's responsibilities for education and learning other than those funded by the Dedicated Schools Grant and Post 16 funding which are shown separately. It includes infrastructure and support to ensure the delivery of more than 200 statutory duties in education and learning and to deliver a range of specialist support for inclusion services, admissions, home to school transport as well as education support for children with special needs and vulnerable groups of children.

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend on services - inflation, demographic and other growth in demand	728
Savings Strategies	
Consolidation and cost reductions from various external contracts	(707)
Home to School/College transport - efficiency and personalised approach to transport	(490)
Review of Early Years contracts and service	(796)
Special School residential places review and direction to DSG	(2,100)
Total	(3,365)

Education and Learning (Dedicated Schools Grant and other schools funding)

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Schools					
463	Nursery Schools	528	0	528	65
205,103	Primary Schools	217,924	0	217,924	12,821
172,180	Secondary Schools	184,769	0	184,769	12,589
377,746		403,221	0	403,221	25,475
De-Delegated Schools Budget					
335	Licences and Subscriptions	427	(17)	410	75
804	Schools and DSG Contingency	785	0	785	(19)
1,367	Targeted Specialist Services	1,377	0	1,377	10
124	School Intervention Fund	128	0	128	4
1,082	Maternity	1,134	0	1,134	52
141	Facilitation and Representation	149	(8)	141	0
3,853		4,000	(25)	3,975	122
Central Provision Within Schools Budget					
325	Admissions	416	(91)	325	0
2,000	Schools Broadband	0	0	0	(2,000)
1,550	Pupil Growth - Falling Rolls	1,550	0	1,550	0
873	Termination of Employment Costs	873	0	873	0
3,100	Local Learning Communities	930	0	930	(2,170)
223	Other DSG Services	300	(17)	283	60
292	Phase Associations	292	0	292	0
861	Support Services	946	(85)	861	0
9,224		5,307	(193)	5,114	(4,110)
High Needs Budget					
4,774	Alternative Provision	4,785	0	4,785	11
183	Attendance, Safeguarding and Behaviour	183	0	183	0
1,175	Social Inclusion Children In Care	1,175	0	1,175	0
19,905	Maintained Special Schools	22,501	0	22,501	2,596
1,743	Targeted Specialist Services	1,743	0	1,743	0
250	Hospital Education Services	256	0	256	6
5,821	Post 16 Special Educational Needs	5,803	0	5,803	(18)
750	Portage	750	0	750	0
12,900	Special Educational Needs	10,662	(467)	10,195	(2,705)
5,800	Other Special School Fees	5,914	0	5,914	114
3,274	Support Centre Funding	3,445	0	3,445	171
56,575		57,217	(467)	56,750	175
24,405	Early Years Budget	24,769	(287)	24,482	77
Schools Funding					
(437,360)	Dedicated Schools Grant (DSG)	0	(460,401)	(460,401)	(23,041)
(6,682)	Early Years - Disadvantaged 2 Year Olds	0	(5,175)	(5,175)	1,507
(6,568)	Post 16 Funding	0	(5,275)	(5,275)	1,293
(21,193)	Pupil Premium	0	(22,691)	(22,691)	(1,498)
(471,803)		0	(493,542)	(493,542)	(21,739)
0		494,514	(494,514)	0	0

2014/15 £'000	2015/16 £'000
(1,433) Customer and Client Receipts	(339)
(471,072) Government and EU Grants	(493,542)
(100) Internal Recharges	(166)
0 Reimbursements	(467)
(472,605)	(494,514)

Service Commentary

Services funded by the Dedicated Schools Grant, Post 16 Funding and Pupil Premium. Most funding is delegated directly to schools.

Analysis of changes:	£'000
Changes in school budget due to increase in schools block funding rate per pupil, pupil numbers, pupil premium and new delegation	25,475
Changes in de-delegation due to academy conversion and increased demand	122
Delegation of Broadband subsidy and Local Learning Community funding to schools	(4,110)
Additional funding for children with complex needs in maintained special schools	496
Realignment of high needs top up funding to schools	(490)
Additional funding to support children in specialist provision	169
Changes in take up of early education for 2, 3 and 4 year olds	77
Increase in Dedicated Schools Grant arising from increase in schools block funding rate, changes in pupil numbers Post 16	(21,748)
Free early education for disadvantaged two year olds - based on estimated take up	1,507
Increase in Pupil Premium rates for deprivation	(1,498)
Total	0

Capital Programme

The following table details the medium term capital programme for this service and how that programme is being funded.

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Adult Social Care						
Adaptations - Disabled adults homes		150	150	150	150	0
Community hub (Barnstaple)	3,000	200	1,800	1,000	0	0
Community hub (Tavistock) Abbey Rise	799	523	0	0	0	0
Lifting and handling equipment		10	10	10	0	0
Works for Care Quality & Provider Services		60	120	0	0	0
Total		943	2,080	1,160	150	0
Children's Social Work and Child Protection						
Children in care (contingency)		10	20	20	20	10
Exmouth Youth Service - Catering Refurbishment	42	3	0	0	0	0
Exwick, Exeter - New Exeter Youth Centre		0	0	146	0	0
Grants to adapt foster carers houses		41	50	50	60	50
Haven Banks Outdoor Education Centre	5,317	90	0	0	0	0
The 100 Club (Exeter) Youth Service - Office accommodation & external works	132	3	0	0	0	0
The Junction (Newton Abbot) Youth Service - Music Room & Office Improvements	86	3	0	0	0	0
Youth Service - Minor capital works		37	37	37	37	35
Youth Service - Modernisation		0	346	0	0	0
Total		187	453	253	117	95
Education & Learning						
Early Years provision (Kingsbridge) - New Facility	600	50	450	100	0	0
Energy Efficiency Schools Initiative (EESI)		300	700	0	0	0
South Devon DPLS - Dartington School site	864	668	0	0	0	0
Stansfield Centre (Exeter) - Additional KS1 and KS2 accommodation	120	15	0	0	0	0
Vehicle Equipment Loans Pool (Schools)		100	100	100	100	100
Other Schools Managed Capital		1,518	250	250	250	250
Devolved Formula Capital (DFC)		2,501	2,005	1,972	1,685	1,685
Total		5,152	3,505	2,422	2,035	2,035
Integrated Children's Services						
Adaptations - Disabled childrens houses		140	140	140	140	140
Total		140	140	140	140	140
Social Care Commissioning						
Better Care Fund (Capital)	1,991	1,991	0	0	0	0
Disabled Facilities Grant	3,392	3,392	0	0	0	0
Extra Care Housing	13,521	132	5,318	6,150	0	0
Grants to independent care homes		500	500	500	500	0
Total		6,015	5,818	6,650	500	0
Total		12,437	11,996	10,625	2,942	2,270
Financed by:						
Borrowing - Unsupported		799	2,918	6,296	47	0
Borrowing - VELP		400	800	100	100	100
Capital Receipts - General		1,335	5,317	1,097	711	235
Capital Receipts - IID		327	346	0	0	0
Direct Revenue Funds - Services		205	200	200	200	200
External Funding - Contributions		50	50	50	50	50
External Funding - Grants		9,321	2,365	2,882	1,834	1,685
Total		12,437	11,996	10,625	2,942	2,270

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2014/15 which may be deferred to 2015/16 owing to changes in project delivery timescales.

Place Services

Director's Commentary

The portfolio of Place services continues to provide the opportunity to focus on the strategic priorities of Devon County Council: maintaining, operating and improving infrastructure and connectivity to support local enterprise, supporting health and well-being by improving access to countryside, green travel and managing congestion, and supporting stronger, more resilient, local communities. Services are diverse from planning the future infrastructure requirements of Devon to providing direct services to its communities. This budget reflects the continuing changes required to achieve the national targets for reductions to public sector spending. In order to achieve a balanced budget, reductions of £9.8m have been identified within Place. This includes the removal of one off budgets totalling £540,000 coupled with reductions to budgets of £9.3m. With each year of reductions it is becoming harder to protect priority areas. The aim of the reductions is to focus on the delivery of essential and statutory services.

A key national and local priority continues to be the County Council's role in supporting economic growth in Devon. Our aim is to ensure that Devon has a flourishing and balanced economy, with strong economic growth and high quality employment. A range of funding initiatives to support growth policies continue to be awarded covering the Local Enterprise Partnership geographical area of Devon, Somerset, Plymouth and Torbay. Changes to funding allocations from central government mean that Devon County Council is focusing on optimising external funding and income generation to manage increasing budget pressures, and joint working opportunities to generate efficiencies where possible. These funding opportunities include the Local Growth Fund which is a national competitive fund available to LEPs to bid for and can support capital schemes including transport, employment, infrastructure and skills, the Local Transport Fund and the 2015-2020 European Programmes. The Devon and Somerset Super-fast Broadband continues to be rolled out across the county with a number of towns and villages already experiencing the benefits. The development of business parks including Okehampton East, the Science Park and Skypark, continue to be a focus for the Council. The Science Park Innovation Centre is due to be completed during 2015/16 and further industrial units due to be occupied at Skypark during the year.

In 2014/15, DCC has been particularly successful in obtaining grants from central government. These funds are focussed on schemes which will unlock economic development, support workforce skills, extend superfast broadband coverage and provide infrastructure to improve access to communities. Many of the grants are awarded with minimal lead in times which highlights the need to continually have schemes ready to be progressed at short notice. In the context of a declining revenue budget it is more important than ever that DCC optimises its receipt of external grants. There will be particular challenges for officers delivering these programmes as the funds largely have to be spent prior to the year end. Currently 88% of the total capital programme falls under Place Services with 79% being funded via external grant.

Devon is one of the top performing Counties for recycling, reusing and composting and the Waste Service continues to focus work on influencing public behaviour in order to further reduce overall volumes of waste by educating and influencing communities on waste reduction. The tonnage figures continue to be volatile and will be monitored closely during the year to identify any changes. The Energy from Waste (EfW) plant in Exeter has now opened with capacity up to 60,000 tonnes of waste being diverted from landfill. The EfW plant in Plymouth is opening in 2015 and will divert a further 60,000 tonnes of waste from landfill. Work will continue at the Exeter EfW plant to facilitate the development of a district heating scheme in the surrounding area. Due to statutory requirements and the long term nature of waste contracts the focus has been to drive better value out of contracting arrangements. The service will continue to work with Waste collection authorities in Devon and neighbouring waste authorities to develop a collaborative approach in the interest of service delivery and cost efficiency.

The condition of the minor road network remains a concern along with the high cost of the maintenance backlog. The focus of the service will be to preserve a safe and functional highway network to support the economy of the County and region. Extensive consultation has been undertaken covering the reductions within this service. Some of the savings options for highways do not involve front line service changes and were not included in the consultation. For example, savings achieved as a result of restructuring the County Council's back office highways teams and efficiency gains through better ways of working. The savings are based on reducing revenue funded activity to minimum safe levels. Capital spending is based on a hierarchical approach, which involves investment in high priority roads first, based on traffic volume and strategic importance. Whilst the minor road network has an important local value, in terms of investment in maintenance, its overall strategic priority is not as high as the major A, B and C road network. A sound asset management approach, which involves preventative maintenance interventions rather than fixing worse first, is advocated by the Department for Transport, which provides capital funding for highway structural maintenance. To meet all maintenance needs across the network, a preventative asset management approach based on a hierarchical approach provides best overall value for the available funding.

The Road Warden and Community Self-Help scheme is being developed to enable local communities to carry out minor routine maintenance works that Devon, as Highway Authority, will not be able to fund in the future. The community self-help initiative enables communities to top up the highway service where it is a local priority. The highway service will include Parish lengthsman teams who will be deployed to carry out programmes of cleaning and clearing drainage features. Grass cutting will continue where it is necessary to maintain visibility splays and reductions in Highway Management costs are to replicate the staffing ratios already working in some areas across the whole county. Communication, especially online, will be a key focus for the service to better explain what the service is able to deliver and when it will be at work within individual communities.

Services within the Communities portfolio range from strategic development to front line delivery to the public. Those front line services include libraries, public and community transport, Trading Standards and community engagement. The Library Service will be reviewing the delivery model for the service with a view to encouraging a more community led approach.

Changes in funding and Public Sector policy changes continue to drive us towards much greater engagement with the communities of Devon and a change in their relationship with the County Council. The focus of this work is around supporting communities to be more resilient and to help themselves to provide tailored solutions to local issues. Shared Services continue to be explored.

Public and Community Transport remains a priority, however reductions to bus route support will be necessary and subject to extensive consultation. Reductions are being achieved within the National Concessionary Travel scheme through the removal of the discretionary elements of the scheme, further efficiencies from contract arrangements with the bus providers and by streamlining management processes.

The Public Sector reductions are set to continue for the medium term and therefore work is ongoing for future years. In order to achieve the reductions required all services need to ensure they are provided as efficiently as possible. The scale and duration of the reductions is unprecedented and therefore places a responsibility on Devon County Council to continually review what, and how, services are provided to ensure essential and statutory areas are protected.

Heather Barnes

Strategic Director Place

For more information on the contents of this section of the budget book, please contact Nicky Allen, Assistant County Treasurer (Place) on 01392 382360 or email nicola.allen@devon.gov.uk

How the 2015/16 Budget has been built up

	2014/15 Adjusted Budget	Changes	2015/16 Outturn Budget
	£'000	£'000	£'000
Economy and Enterprise	2,037	(818)	1,219
Highways and Traffic Management	36,442	(1,904)	34,538
Capital Development and Waste Management	33,645	(897)	32,748
Planning, Transportation and Environment	5,967	(635)	5,332
Services For Communities	30,157	(2,823)	27,334
Total	108,248	(7,077)	101,171
Reasons for the change in the Revenue Budget			Change £000
<u>Technical & Service Changes</u>			
CDWM - Landfill Tax increase			265
CDWM - Tonnage changes, PAS100 compliance			424
CDWM - Energy from Waste plants operational price changes			(879)
E&E - Project work			100
Highway Maintenance - Install Highways information management system			(100)
Communities - Changed funding for bus routes			197
Inflation			2,740
			2,747
<u>Savings requirements</u>			
Cash Reduction			(6,537)
Removal of one-off budgets			(540)
Inflation and pressures			(2,747)
			(9,824)
			(7,077)
<u>Analysis of Savings Strategies</u>			
Economy - Staffing, income and project budgets			(341)
Economy - Reduce the Science Park Company Growing Places loan guarantee funding			(584)
HTM - Removal of one off 14/15 budget for resilience of highway drainage			(500)
HTM - Revised delivery regimes for vegetation, drainage and winter service			(1,673)
HTM - Costs redirected to On-Street Parking account and efficiency savings			(828)
HTM - Savings following improved systems and increased income			(613)
PTE - Revised staffing structures and reduced project work			(582)
PTE - Reduction as a result of applying existing criteria to School Crossing Patrols			(95)
SfC - Restructured Trading Standards team, reduced oncosts and increased income			(150)
SfC - Reduced policy staffing, increased income recovery and reduced premises costs			(192)
SfC - Remove temp Olympic Legacy and additional Citizen's Advice Bureau budgets			(190)
SfC - Reduced bus support with creation of community transport development fund			(981)
SfC - Bus support costs redirected to On-Street Parking account and contract savings			(440)
SfC - Revised Transport support systems, staffing, processes and funding sources			(695)
SfC - Library, heritage, arts staffing changes and increased income			(319)
SfC - Library revised delivery models for outreach service and premises			(105)
SfC - Library temporary reduction to Book Fund			(174)
SfC - Vacancy management savings			(56)
CDWM - Anticipated growth in recycling not realised			(400)
CDWM - New and increased charging regimes			(421)
CDWM - Revised contract and systems processes and reduced project work			(485)
			(9,824)

Staffing Data

	2014/15		2015/16		Total FTEs
	Adjusted Total	Changes	Revenue Funded	Externally Funded	
	FTEs	FTEs	FTEs	FTEs	
Economy and Enterprise	18	(4)	13	1	14
Highways and Traffic Management	195	54	249	0	249
Capital Development and Waste Management	109	1	110	0	110
Planning, Transportation and Environment	128	(18)	99	11	110
Services for Communities	458	(30)	290	138	428
Total	908	3	761	150	911

Explanation of Movements

Economy & Enterprise

Restructure of team	(2)
Vacant post removed	(1)
External funding projects finished	(1)
	(4)

Highways & Traffic Management

Civil Parking Enforcement - Service transferred from Districts	61
Restructure of team	(8)
Transfer from Environment service (see below)	1
	54

Capital Development & Waste Management

Engineering Design Group - Transfer back of procurement post	1
	1

Planning, Transportation & Environment

Transportation Planning team restructure	(13)
Environment service team restructure	(3)
Environment service - External funding projects finished	(1)
Environment service - Transfer to Highways (see above)	(1)
	(18)

Services for Communities

Trading Standards - Reduced hours	(1)
Active Devon - Increased external funding	4
Learn Devon - Reduced funding	(3)
Devon Records Office - All staff transferred to South West Heritage Trust	(17)
Libraries - Vacancies deleted and reduced hours	(4)
Strategy, Policy and Organisational Change - Restructure of team	(3)
Public & Community Transport - Restructure of team	(6)
	(30)

Total	3
--------------	----------

The above figures include staff funded from the capital programme

Analysis of Total Expenditure for 2015/16

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Economy and Enterprise	1,417	0	(168)	(30)	1,219
Highways and Traffic Management	36,651	(112)	(1,398)	(603)	34,538
Capital Development and Waste Management	35,913	0	(1,986)	(1,179)	32,748
Planning, Transportation and Environment	6,097	(39)	(675)	(51)	5,332
Services For Communities	32,917	(1,300)	(2,762)	(1,521)	27,334
Total	112,995	(1,451)	(6,989)	(3,384)	101,171

The following services (which are not included above) are wholly self-funded and do not impact on Council Tax.

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Economy and Enterprise					
FABLAB	8	(8)	0	0	0
Highways and Traffic Management					
On Street Parking	4,536	(99)	(4,437)	0	0
Planning, Transportation and Environment					
AONB Blackdown Hills	214	(197)	(8)	(9)	0
AONB North Devon	182	(167)	0	(15)	0
Clean Marine	15	(15)	0	0	0
Devon Maritime Forum	25	(20)	0	(5)	0
Exe Estuary Partnership	26	(15)	(1)	(10)	0
Local Sustainable Transport Fund Grants	1,127	(1,127)	0	0	0
Other Countryside Projects	176	(176)	0	0	0
South West Coast Path Team	105	(105)	0	0	0
Services For Communities					
Active Devon	1,767	(1,070)	(12)	(685)	0
Citizens Rail Project	579	(484)	(95)	0	0
Learn Devon	3,977	(3,486)	(483)	(8)	0
Transport Co-Ordination Service	2,499	(1,146)	(1,353)	0	0
Total	15,236	(8,115)	(6,389)	(732)	0
Grand total	128,231	(9,566)	(13,378)	(4,116)	101,171

Grants and Contributions

Some of the costs of providing the above services are funded by external grants and contributions, the table below shows details of the funding expected for 2015/16.

Service and Grant title	Funded by	Amount £'000
Economy and Enterprise		
FABLAB (Fabrication Laboratory) project	Other	8
		8
Planning, Transportation and Environment		
Local Sustainable Transport Fund	Department of Transport	1,127
Natural futures	Heritage Lottery	84
Small environment projects	English Heritage	92
Areas of Outstanding Natural Beauty	DEFRA	291
Areas of Outstanding Natural Beauty	Other Local Authorities	73
Maritime project	Government Grants	5
Estuary and Biosphere projects	Other Local Authorities	54
Maritime and Fisheries projects	Other	30
South West Coast Path & County Parks	Natural England	105
		1,861
Highways and Traffic Management		
ExeRail	Other Local Authorities	30
South West Coast Path & County Parks	Other Local Authorities	45
South West Coast Path & County Parks	Natural England	136
		211
Services For Communities		
Learn Devon - Community Learning	Skills Funding Agency	2,155
Learn Devon - Adult Skills Budget (inc Apprenticeships / Additional Learning Support)	Skills Funding Agency	1,224
Learn Devon - 24+ Advanced Learning Loans Facility	Skills Funding Agency	31
Learn Devon - 14-19 EFA Funding	Education Funding Agency	76
Active Devon	Sport England	1,014
Active Devon	Other Local Authorities	7
Active Devon	Other	49
Citizens Rail	European Union	289
Citizens Rail	Other	195
Bus Service Operators Grant	Department of Transport	1,146
Trading Standards	Government Grants	100
Various small projects	Other Local Authorities	136
Transport contributions	Other	1,064
		7,486
Total		9,566

Service Statistics

Service/Activity	Unit of Measurement	2014/15	Change	2015/16
Highway & Traffic Management				
Size of Network	Km	12,880	5	12,885
Bridges (revised Transport Asset Management definition)	No.	3,240	0	3,240
Structural retaining walls (>1.5m height)	No.	1,619	0	1,619
Structural retaining walls (>1.5m height)	Km	171	0	171
Street lights total	No.	77,000	350	77,350
Street lights to have been converted to part night lighting	No.	45,000	5,000	50,000
Rights of way	Km	5,000	0	5,000
Strategic road salted after route optimisation	Km	2,653	(193)	2,460
Illuminated road markings and signs	No.	12,000	0	12,000
Gullies emptied	No.	105,900	0	105,900
Total grass area cut	m ²	9 million	(8) million	1 million
Surface dressed	Km	723	(225)	498
Resurfacing / reconstruction	Km	85	(1)	84
Capital Development & Waste Management				
Municipal waste disposal to landfill	Tonnes	90,000	(43,300)	46,700
Municipal waste recycled (excl soil & rubble)	Tonnes	206,000	2,000	208,000
Municipal waste recovered	Tonnes	14,000	0	14,000
Exeter Energy from Waste	Tonnes	50,000	7,000	57,000
Plymouth Energy from Waste	Tonnes (approx)	25,000	35,000	60,000
Recycling, Reusing and composting	Percentage	55.0	0	55.0
Recycling centres provided	No.	19	0	19
Landfill sites after care	No.	55	0	55
Planning, Transportation & Environment				
County Matter applications	No.	40	20	60
County Council development applications	No.	50	(10)	40
Listed building consent applications	No.	10	0	10
Strategic Planning consultations	No.	10	20	30
Pre Application Advice	No.	160	0	160
Discharge of Planning Condition Applications	No.	40	0	40
Non Material Amendments to planning applications	No.	20	0	20
Formal Monitoring visits for Minerals and Waste Sites	No.	70	0	70
Planning application consultations (externally driven by the economy)	No.	12,500	0	12,500
Local Wildlife Sites in positive management	Percentage	68	1	69
Verified historic monument records on Heritage Gateway website	No.	68,242	1,993	70,235
Number of Local Development Frameworks which have successfully progressed through the examination stage	No.	8	0	8
East Devon Traffic Screenline - Average daily no. of vehicles crossing (predicted)	No.	120,031	1,200	121,231
Services for Communities				
Learn Devon - Learner Recruitment	No.	18,980	(4,380)	14,600
Devon Records Office - Parish tithe maps web enabled	No.	518	0	518
Libraries				
Libraries	No.	50	0	50
Mobile Libraries	No.	4	0	4
PCs Available with public access	No.	485	0	485

Service/Activity	Unit of Measurement	2014/15	Change	2015/16
Public Transport				
Local bus services contracts (*)	No.	172	(32)	140
Bus passenger journeys started in Devon - full year impact in 16/17 of (0.4) (*)	No.	26.0 million	(-0.3)	25.7 million
Train trips within Devon and to/from neighbours	No.	4.5 million	0	4.5 million
Ring and Ride community transport schemes	No. of schemes	16	0	16
Community car schemes	No. of schemes	14	(14)	0
Shop mobility schemes	No. of schemes	9	(1)	8
Community buses	No.	8	0	8
Fare car supported taxi schemes	No. of schemes	12	(2)	10
Trading Standards				
Business premises on Trading Standards database	No.	63,469	1,683	65,152
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and business requests for service	No.	21,962	(1,146)	20,816

This page is left blank intentionally

Economy and Enterprise

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Economy and Industrial Estates					
1,994	Economic Development	1,312	(88)	1,224	(770)
43	Industrial Estates	105	(110)	(5)	(48)
2,037		1,417	(198)	1,219	(818)

2014/15 £'000	Breakdown of Gross Income	2015/16 £'000
(80)	Customer and Client Receipts	(168)
0	Internal Recharges	(30)
(80)		(198)

Service Commentary

This service leads the County Council's role in supporting economic growth and prosperity for Devon's residents and businesses. It provides a strategic overview of the Devon economy and collaborates with a wide range of partners including the Local Enterprise Partnership to support the achievement of growth. Key priorities for the service are skills and innovation, promoting Devon as a business location, the facilitation of strategic employment space and managed workspace, developing growth sectors and supply chains, including energy. The service is in the process of delivering significant new revenue and capital projects including faster Broadband for Devon - Connecting Devon and Somerset, Skypark and Exeter Science Park, a Rural Growth Network across Devon and Somerset and the continued development of the existing industrial estates. The Service leads on influencing external funding policies, including European, and actively works to draw in additional investment into the County.

Analysis of changes:	£'000
Technical and Service changes	
Inflation	7
Project increase	100
Savings Strategies	
Reduce guarantee for Exeter Science Park Ltd Growing Places loan	(584)
Restructure of team	(96)
Reduction in activity based business support, infrastructure development and ceased funding of a post	(145)
Generating income from other organisations and a wind turbine	(100)
Total	(818)

Highways and Traffic Management

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Highway Maintenance					
23,357	Roads and Bridges	22,144	(193)	21,951	(1,406)
5,140	Highway Lighting	5,624	(30)	5,594	454
610	Maintenance of Public Rights of Way	622	(12)	610	0
259	Other Highway Services	159	(133)	26	(233)
29,366		28,549	(368)	28,181	(1,185)
Highway Network Management					
6,891	Highway Network Management	7,682	(1,507)	6,175	(716)
185	Management and Support	420	(238)	182	(3)
7,076		8,102	(1,745)	6,357	(719)
36,442		36,651	(2,113)	34,538	(1,904)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(1,321) Customer and Client Receipts	(1,398)
(131) Government and EU Grants	(112)
(493) Internal Recharges	(603)
(1,945)	(2,113)

Service Commentary

Highway and Traffic services ensure the availability and preservation of a safe and functional highway network which supports the economy of the County and region. A key strategic element for the Service, in the current financial climate, is to slow down the rate at which the asset will deteriorate by focusing on the review of service levels, specifications, systems and processes to 'sweat the asset'. Nevertheless, reductions in budgets (both capital and revenue) will impinge on the standards of maintenance across the network and is almost certain to increase the rate of deterioration.

The severe weather of the last few winters has dramatically increased spend on reactive and remedial repairing of the carriageway and footway. This has kept the highway safe but it will not prevent further general deterioration and weakening of the asset. Budget reductions in previous years will continue to impact in 2015/16 and with a further savings target, significant reductions in maintenance have been proposed. Further work continues with the Term Maintenance Contractor to explore other efficient ways of working by amending delivery methods and payment mechanisms to help mitigate the effects of budget reductions and maximise the effect of work.

Analysis of changes:	£'000
Technical and Service changes	
Inflation	1,810
Reduction in cost of Highways Information System	(100)
Savings Strategies	
Reduction of whiteout fleet and review of gritting criteria	(90)
Reduction in routine patching works	(70)
Removal of drainage resilience maintenance - one off 14/15 budget	(500)
Revised regimes for vegetation control (weeds, grass cutting and tree maintenance)	(950)
Savings from revised delivery arrangements resulting in redirection of more prescribed costs to the On-Street Parking account	(400)
Remodel Parish lengthsman service and include in planned maintenance programme	(430)
Savings from maintenance contract efficiencies and improved systems	(173)
Closure of Picnic sites	(133)
Redirection of Civil Parking Enforcement costs to On-Street Parking account	(111)
Increased income from licences, permissions and sale of assets	(83)
Staffing and oncost savings identified through improved systems and other initiatives	(492)
Budget for savings from staff vacancy gaps where appropriate	(38)
Redirection of staffing costs to capital and On-Street Parking account	(110)
Savings from reduced overhead costs	(34)
Total	(1,904)

Capital Development and Waste Management

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Engineering, Design and Built Environments Team					
(538)	Engineering and Design Group	643	(1,179)	(536)	2
83	NPS Schools Estates Work	83	0	83	0
197	Compliance Surveys - School Buildings	197	0	197	0
(258)		923	(1,179)	(256)	2
Waste Disposal and Recycling					
4,217	Recycling Credits	4,175	0	4,175	(42)
6,966	Landfill Tax on Disposal	4,679	0	4,679	(2,287)
15,910	Disposal of Statutory Waste	19,662	(1,732)	17,930	2,020
5,166	Recycling Centres	4,627	(3)	4,624	(542)
301	Waste Minimisation Activities	495	(244)	251	(50)
667	Other Site Related Costs	674	(7)	667	0
676	Waste Management	678	0	678	2
33,903		34,990	(1,986)	33,004	(899)
33,645		35,913	(3,165)	32,748	(897)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(1,986) Customer and Client Receipts	(1,986)
(1,179) Internal Recharges	(1,179)
(3,165)	(3,165)

Service Commentary

Capital Development (Engineering Design Group & Built Environments)

The Service provides programme and project management bringing consistency and efficiency, particularly, to the delivery of the capital programme including scheme design, construction management and the management of the relationship between DCC and the private sector. The challenge for the year is to continue to drive value for money solutions in the delivery of capital and revenue programmes.

Waste services

The priorities of the service are to influence public behaviour to reduce volumes of waste, increase reuse and recycling, to manage the waste contracts for recycling and disposal, establish the needs for and provide new waste infrastructure, and work with Waste Collection Authorities to maximise efficiency and provide a joined up approach to waste management.

Waste tonnage is extremely volatile and sensitive to both economic and demographic factors. This needs to be closely monitored as growth in this area would have a significant impact on the achievement of the budget.

Analysis of changes:	£'000
Technical and Service changes	
Inflation	864
Price changes from implementation of Energy from Waste plants	(879)
Waste tonnage growth	249
Legislation change to improve quality of compost	175
Savings Strategies	
Anticipated waste tonnage growth for recycling not realised	(400)
Cease payment of recycling credits for textiles from third parties	(65)
Various waste contract initiatives	(330)
Diversion of street sweepings away from landfill disposal	(100)
Charging for other non-statutory waste and general increase in charges	(256)
Reduced costs of cross border waste tonnage movement	(100)
Reduction in waste behavioural change funding	(50)
Budget for savings from staff vacancy gaps where appropriate	(5)
Total	(897)

Planning, Transportation and Environment

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Environment Service					
642	Environment Policy	610	(65)	545	(97)
578	Projects and Partnerships	610	(46)	564	(14)
860	Flood Risk and Surface Water Management	863	(2)	861	1
2,080		2,083	(113)	1,970	(110)
Planning and Transportation					
800	Development Management	1,331	(558)	773	(27)
390	Spatial Planning	328	0	328	(62)
228	Strategic Planning Schools Policy	227	0	227	(1)
2,469	Transportation Planning and Road Safety	2,128	(94)	2,034	(435)
3,887		4,014	(652)	3,362	(525)
5,967		6,097	(765)	5,332	(635)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(865) Customer and Client Receipts	(675)
(154) Internal Recharges	(51)
(39) Reimbursements	(39)
(1,058)	(765)

2014/15 £'000	2015/16 £'000
Grants Paid to External Organisations	
46 AONB (East, South and Tamar)	50
70 Dorset & East Devon World Heritage site (Jurassic Coast)	70
30 Cornwall & West Devon Mining Landscape World Heritage site	30
39 South West Energy & Environment group	39
6 Wembury Centre	5
2 Tamar Estuaries consultative forum	2

Service Commentary

The Planning, Transportation and Environment service includes strategic infrastructure planning and statutory responses including development of the Education and Transport Plans and other strategic documents, such as the Waste and Minerals plans. Additionally services include development and delivery of large infrastructure projects including planning applications, consultations, overview of planning applications and delivery of projects to enhance the ecology, landscape, marine and historic environment of Devon, and progressing the carbon management agenda. The responsibility for planning schools infrastructure, sustainable travel and road safety resides in this team along with the flood and coastal risk management functions.

Analysis of changes:	£'000
Technical and Service changes	
Inflation	42
Savings Strategies	
Revised staffing structures	(315)
Reduction as a result of applying existing criteria to School Crossing Patrols	(95)
Reduced project budgets	(267)
Total	(635)

Service for Communities

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Information, Heritage and Culture					
704	Heritage Centre and Devon Records Office	759	(14)	745	41
253	Arts and Cultural Support	234	0	234	(19)
7,238	Library and Information Service	7,837	(1,143)	6,694	(544)
8,195		8,830	(1,157)	7,673	(522)
Policy, Performance and Regulatory					
4,096	Strategy, Policy and Organisational Change	3,881	(185)	3,696	(400)
2,113	Trading Standards	3,351	(1,376)	1,975	(138)
6,209		7,232	(1,561)	5,671	(538)
Public and Community Transport					
9,484	National Concessionary Travel Scheme	9,148	(14)	9,134	(350)
5,852	Public Transport Support	6,267	(1,489)	4,778	(1,074)
417	Management Support	1,440	(1,362)	78	(339)
15,753		16,855	(2,865)	13,990	(1,763)
30,157		32,917	(5,583)	27,334	(2,823)

2014/15 £'000	Breakdown of Gross Income	2015/16 £'000
(2,515)	Customer and Client Receipts	(2,762)
(1,370)	Government and EU Grants	(100)
(1,396)	Internal Recharges	(1,521)
(1,422)	Reimbursements	(1,200)
(6,703)		(5,583)

2014/15 £'000	Grants Paid to External Organisations	2015/16 £'000
400	Citizens Advice Bureau	360
80	Community Council of Devon	72
200	Councils for Voluntary Services	189
6	Other	2
20	Devon Wheels to Work	20
285	Community bodies	285

Service Commentary

The Communities portfolio brings together services whose intention is to “shape” Devon by providing a mix of policies and activities to increase the capacity and resilience of local communities together with a wide range of direct service delivery including supporting the public and community transport network, safeguarding and promoting cultural, heritage and educational activities , improving the skills of local people, promoting physical activity and sport and safe-guarding public and consumer interests.

Analysis of changes:	£'000
Technical and Service changes	
Inflation	282
Funding for bus services previously paid under S106	197
Savings Strategies	
Reduction of grant to Heritage Trust and reduced support to the Arts service	(41)
Reduced Library management staffing, terms and conditions, and systems costs	(304)
Revised Library delivery models for outreach service and premises use	(105)
Temporary reduction of Library book fund prior to decisions on future delivery model	(174)
Reduced policy and performance staffing, oncosts and charging for services	(315)
Removal of temporary Olympic legacy budget	(150)
Removal of Citizens Advice Bureau additional grant - one-off 14/15 budget	(40)
Food Standards Agency income for Trading Standards and other minor adjustments	(50)
Reductions to transport budget due to process efficiencies and changing travel patterns	(460)
Reduction in support of bus routes	(1,081)
Community transport development fund	100
Increased income allowing redirection of bus support costs to the On-Street Parking account	(330)
Reduced transport support staffing structure and oncosts	(232)
Transport support staffing costs redirected to grant funding	(120)
Total	(2,823)

Capital Programme

The following table details the medium term capital programme for this service and how that programme is being funded.

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Economy & Enterprise						
Devon Employment Space Strategy (Work hubs)		0	70	0	0	0
Okehampton East Business Park	2,386	809	0	0	0	0
Devon and Somerset Superfast Broadband	13,500	8,700	4,800	0	0	0
Industrial estates		44	0	0	0	0
Total		9,553	4,870	0	0	0
Highways, Capital Development & Waste Management						
Highways						
Depot Programme		150	150	150	150	150
Digitisation of the land charges records	360	165	0	0	0	0
Extreme Weather Resilience Contingency		2,000	0	0	0	0
Local Transport Plan (LTP) Maintenance		42,868	38,783	37,610	34,042	34,042
Reinstatement of Grand Western Canal	3,000	600	0	0	0	0
		45,783	38,933	37,760	34,192	34,192
Waste Service						
Ivybridge Recycling Centre	3,133	614	258	0	0	0
Redundant landfill site restoration (Heathfield)		190	0	0	0	0
		804	258	0	0	0
Schools Maintenance and Improvements						
Bearnese Primary mezzanine floor	100	50	50	0	0	0
Bishops Tawton Primary replacement block	255	180	75	0	0	0
Bowhill Primary School lift replacement	62	57	0	0	0	0
Bradley Barton Primary block roof	158	126	32	0	0	0
Canada Hill Primary flashings	91	73	18	0	0	0
Capital Maintenance (contingency)		214	250	0	0	0
Combe Martin Primary School heating and cold water systems	245	196	49	0	0	0
Combe Martin Primary School replacement windows	121	97	24	0	0	0
Cullompton Community College fenestrations	499	250	249	0	0	0
Dartington C of E Primary School remedial work	5,116	3,415	1,600	0	0	0
Dawlish Community College windows	61	49	12	0	0	0
Dunsford Community Primary replacement roof	101	81	20	0	0	0
Estimated Capital Maintenance (to be announced)		0	8,500	8,500	8,500	8,500
Georgeham C of E Primary School external refurbishment	73	52	13	0	0	0
Hatherleigh Community Primary School rewiring and external refurbishments	111	89	22	0	0	0
Hazeldown School rewiring	98	78	20	0	0	0
Heathcoat Primary School roof improvements	324	170	42	0	0	0
Holsworthy Community College various refurbishments	251	101	150	0	0	0
Holsworthy Community College rewiring	484	387	97	0	0	0
Honiton Primary School boiler replacement	87	86	0	0	0	0

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Highways, Capital Development & Waste Management						
Schools Maintenance and Improvements continued						
King's Nympton Primary heating and electrical works	57	46	11	0	0	0
Kingsbridge Primary School block replacement	389	100	289	0	0	0
Ladysmith Infant School rewiring and lighting	108	86	22	0	0	0
Ladysmith Infant School HORSAs building replacement	1,775	180	0	0	0	0
Langtree Primary rewiring	71	57	14	0	0	0
Marland School multi use hall	587	60	0	0	0	0
Marpool Primary various refurbishments	137	110	27	0	0	0
Marwood School drainage improvements	105	95	0	0	0	0
Marwood School rewiring	76	61	15	0	0	0
Mary Tavy & Brentor boiler	54	43	11	0	0	0
MUMIS (contingency)		71	90	0	0	0
Okehampton College DDA works	311	155	0	0	0	0
Okehampton College replacement gas supply	115	114	0	0	0	0
Pilton Infants boiler relocation	54	43	11	0	0	0
Princetown Primary heating and emergency lighting	149	118	30	0	0	0
Sidmouth College replacement windows	415	222	77	0	0	0
Sidmouth College replacement blocks	932	93	0	0	0	0
South Tawton Primary School replacement blocks	1,570	805	250	0	0	0
Southmead School heating and electrical works	109	86	22	0	0	0
St Leonards Primary School various refurbishments	262	100	162	0	0	0
St Mary's C of E Primary School (Bideford) expansion (Phase 2)	425	275	0	0	0	0
The Axe Valley Community College block	455	364	91	0	0	0
The Axe Valley Community College replacement blocks	1,987	795	1,192	0	0	0
The Axe Valley Community College wall improvements	52	50	0	0	0	0
The Park Community School sports hall	355	100	250	0	0	0
Wembury Primary various refurbishments	187	150	37	0	0	0
West Croft Junior rewiring, replacement fire alarms and ventilation works	348	278	70	0	0	0
West Down Primary various refurbishments	69	55	14	0	0	0
Winkleigh Primary boiler	54	43	11	0	0	0
Yeo Valley Primary various refurbishments	198	158	40	0	0	0
Yeo Valley Primary boiler replacement	58	46	12	0	0	0
		10,710	13,971	8,500	8,500	8,500
Other Capital Maintenance Schemes		1,147	99	0	0	0
Total		58,444	53,261	46,260	42,692	42,692

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Planning, Transportation & Environment						
Large and Major Schemes - Highways						
A303 Improvements		50	300	300	300	300
A361 NDL Improvements		50	150	200	300	300
A361 Portmore to Landkey Stage 1	3,000	1,200	1,000	0	0	0
A379 Newcourt Junction (Exeter)	2,500	400	1,500	0	0	0
A38 Deep Lane Junction (Sherford)	3,000	395	2,510	0	0	0
A380 South Devon Link Road	119,996	5,570	3,662	2,830	1,420	0
A382 Widening (Newton Abbot)	13,000	300	450	750	5,600	5,219
A39 Heywood Road Junction (Bideford)	2,000	300	1,500	0	0	0
Barnstaple Western Bypass		52	0	0	0	0
Bridge Road (Exeter)	11,500	6,228	2,911	62	0	0
Crediton Link Road	8,421	330	69	8	6	6
Growth Deal infrastructure and design		500	500	500	500	500
Roundswell Phase 2 (Barnstaple)	2,600	100	1,900	0	0	0
Tithebarn Lane Cycle Bridge	1,500	1,050	0	0	0	0
Tithebarn Link Road Phase 1	3,400	100	0	0	0	0
Tithebarn Link Road Phase 2		200	0	0	0	0
Turks Head Mini Roundabout (Honiton)		40	0	0	0	0
		16,865	16,452	4,650	8,126	6,325
Sustainable Transport						
Around Devon Cycle Route - Exeter to Broadclyst		103	0	0	0	0
Around Devon Cycle Route - Exeter to Crediton and Tiverton (Creedy Footbridge)		14	0	0	0	0
Around Devon cycle route - Teign Estuary		80	728	0	0	0
Countywide bus real-time information (On-street signing)		30	0	0	0	0
Crannaford Level Crossing		150	0	0	0	0
Cycling - Exe Estuary		100	100	0	0	0
Cycling - Honiton Road / Fitzroy Road cycleway improvements (Exeter)		50	0	0	0	0
Cycling - Newton Abbot East-West cycle route		49	0	0	0	0
Cycling - Newton Abbot to Bovey walking & cycling route		15	0	0	0	0
Cycling - Wray Valley Trail (Bovey to Moretonhampstead)		761	0	0	0	0
Marsh Barton Rail Station	4,500	1,700	2,137	0	0	0
Okehampton East Station		0	200	0	0	0
		3,052	3,165	0	0	0
Environment						
Area East VMS signing (Exeter)		39	0	0	0	0
Exeter Flood Alleviation Scheme		1,750	1,250	0	0	0
Local Transport Plan (LTP) Integrated transport		3,600	3,601	3,601	3,601	3,601
		5,389	4,851	3,601	3,601	3,601
Schools Expansion						
Advanced Design Fees		350	0	0	0	0
Basic Need (contingency)		792	0	0	0	0
Bradley Barton Primary School & Nursery Unit additional classrooms	1,869	500	0	0	0	0
Cranbrook New Community Education Campus	1,079	578	500	0	0	0
Dartmouth Academy major refurbishment	7,553	500	0	0	0	0
East-The-Water Community Primary School	767	57	0	0	0	0

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Planning, Transportation & Environment						
Schools Expansion continued						
Ellen Tinkham School improvements in energy efficiency	360	22	0	0	0	0
Energy cost and consumption reduction initiative		25	150	0	0	0
Estimated Basic Need (to be announced)		0	5,228	3,435	3,742	3,742
Exmouth Community College teaching block	50	50	0	0	0	0
Gatehouse Primary internal remodelling	143	0	143	0	0	0
Ide Primary additional classrooms	210	10	0	0	0	0
Kingskerswell C of E Primary School phase 1 expansion	1,009	484	0	0	0	0
Kingskerswell C of E Primary School phase 2 expansion	300	0	0	300	0	0
Marldon Primary planned expansion	100	100	0	0	0	0
Mill Water Community School relocation	9,616	630	40	0	0	0
Newcourt new school	5,317	486	4,530	0	0	0
Okehampton new primary site	1,172	0	1,157	0	0	0
Pinhoe C of E Primary planned expansion	375	38	0	0	0	0
Ratcliffe School improvements in energy efficiency	80	3	0	0	0	0
St Leonard's Primary phased expansion	1,815	975	150	0	0	0
St Martins Primary School fitting out new school	284	40	24	0	0	0
St Peter's (Budleigh) Primary additional classroom	254	219	0	0	0	0
Sticklepath Primary School planned expansion	450	180	215	0	0	0
Willowbank Primary (Cullompton) additional classroom and internal alterations		150	285	0	0	0
Total		6,189	12,422	3,735	3,742	3,742
Total		31,495	36,890	11,986	15,469	13,668
Services For Communities						
Libraries						
Cranbrook Library		0	230	0	0	0
Library Estate RFID / Self Service		318	0	0	0	0
Library modernisation partnership schemes	1,580	0	1,280	0	0	0
Library modernisation programme		366	90	0	0	0
		684	1,600	0	0	0
Vehicle Equipment Loans Pool (Fleet management)		930	1,131	1,000	1,000	1,000
Investing in Devon						
Countess Wear Community Centre		50	50	0	0	0
Dartmouth Swimming Pool		500	500	0	0	0
		550	550	0	0	0
Total		2,164	3,281	1,000	1,000	1,000
Total		101,656	98,302	59,246	59,161	57,360
Financed by:						
Borrowing - Unsupported		8,680	9,758	1,423	716	6
Borrowing - VELP		930	1,131	1,000	1,000	1,000
Capital Receipts - General		7,168	3,210	1,000	1,100	1,100
Capital Receipts - IID		5,917	1,308	0	0	0
External Funding - Contributions		3,525	1,831	1,415	710	0
External Funding - Grants		67,932	70,509	54,046	52,635	52,435
External Funding - S106		7,504	10,555	362	3,000	2,819
Total		101,656	98,302	59,246	59,161	57,360

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2014/15 which may be deferred to 2015/16 owing to changes in project delivery timescales.

This is page is left blank intentionally

Corporate Services

Chief Executive's Commentary

The Corporate Services net budget for 2015/16 totals £39.141 millions, including unavoidable inflationary increases in respect of wage awards, contracts and premises of £1.230 millions.

There are also unavoidable commitments arising from the full year impact of legislative changes in respect of the new medical examiner (£150,000) alongside the removal of one-off commitments for Private Finance Initiative financing changes.

In order to deliver budget targets set by Cabinet, (including changes to meet inflation and commitments), budget reductions of £4.541 millions are required.

Significant budget reductions are therefore necessary, predominantly by way of rationalisation and restructuring of services, incorporating revised management structures and other fundamental operational changes.

In some areas work is being undertaken in terms of process mapping, which will help to engineer change and produce increased efficiencies and reduced costs.

We will also continue to develop new delivery models, alongside a further progression of partnership arrangements to bring down costs further.

Our work on cross-cutting strategies continues also, with increasing property rationalisation, ongoing review of contracts & tenders and further staffing reductions.

In addition, some savings will arise as a result of budget appraisal reductions in People and Place, and further collaborative work is essential to ensure that strategies are complementary.

For Public Health, reductions in commissioning are achieved by working closely with providers to achieve increasing value for money, and by creating alternative pathways to recovery within community settings, in this way also exploring additional sources of funding.

For Corporate Services as a whole there are risks associated with these targets, not least the increasing demands placed by front-line services also undergoing significant organisational transformation.

With the level of demand in recent years exceeding capacity, this adds significantly to the overall pressure on corporate services, not least because corporate services are often critical to the delivery of change programmes.

The balance of risk therefore requires careful management, and this will be one of the main challenges for 2015/16.

Phil Norrey

Chief Executive

For more information on the contents of this section of the budget book, please contact Martin Oram, Chief Accountant on 01392 382418 or email martin.oram@devon.gov.uk

How the 2015/16 Budget has been built up

	2014/15 Adjusted Budget	Changes	2015/16 Outturn Budget
	£'000	£'000	£'000
Business Strategy and Support	17,924	(1,305)	16,619
Chief Executive, Legal and Communications	5,515	9	5,524
Human Resources	5,169	(602)	4,567
Public Health	871	(951)	(80)
Treasurer's Services	12,953	(442)	12,511
Total	42,432	(3,291)	39,141

Reasons for changes in Revenue Budget	Change £'000
Technical and Service Changes	
Inflationary increases	1,230
Commitments in respect of Medical Examiner	150
Removal of one-off commitments in respect of Private Finance Initiative	(130)
	1,250
Savings Requirements	
Cash reduction	(3,291)
Inflation and pressures	(1,250)
	(4,541)
Total	(3,291)

Savings Strategies Analysis	
Staffing reductions	(1,754)
Public Health commissioning	(951)
Corporate Maintenance - savings arising from Budget Appraisal	(370)
Property Rationalisation	(187)
Increased income	(344)
Contractual savings	(209)
ICT delivery model and Network savings	(327)
Unfunded pensions - increased mortality rate	(242)
Other net savings	(157)
	(4,541)

Staffing Data

	2014/15		2015/16		Total FTEs
	Adjusted Total	Changes	Revenue Funded	Externally Funded	
	FTEs	FTEs	FTEs	FTEs	
Business Strategy and Support	496	(16)	478	2	480
Chief Executive, Legal & Communications	114	3	116	1	117
Human Resources	204	(6)	198	0	198
Public Health	31	0	0	31	31
Treasurer's Services *	295	(11)	180	104	284
Total	1,140	(30)	972	138	1,110

Explanation of Movements

Business Strategy & Support

Transfer of Business Support staff to People re-ICS Virgin Care contract	(10)
Transfer of social care comms team to Customer relations from People	7
Transfer to Customer relations from Place	2
New posts approved in 2014/15 (Business solutions, customer relations and ICT temporary posts)	5
New posts in respect of ofsted and children's safeguarding	14
Staff transferred to Devon Norse under TUPE (Facilities Management) in 2014/15	(20)
Budget Appraisal reductions	(14)
	(16)

Chief Executive, Legal & Communications

New posts approved in 2014/15 (Assistant Solicitors, Conveyancing and Insurance)	4
Transfer of Communications & engagement staff from People & Place	6
Budget Appraisal reductions	(7)
	3

Human Resources

Transfers from People, Place and Corporate	2
Budget Appraisal reductions	(8)
	(6)

Public Health No change

Treasurer's Services

New posts for 2015/16 (Peninsula Pensions)	7
Budget Appraisal reductions	(18)
	(11)

Total **(30)**

* Includes Devon Audit Partnership

Analysis of Total Expenditure for 2015/16

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Business Strategy and Support	31,300	(8,795)	(3,274)	(2,612)	16,619
Chief Executive, Legal and Communications	8,510	0	(2,205)	(781)	5,524
Human Resources	18,716	0	(2,831)	(11,318)	4,567
Public Health	26,637	(26,569)	0	(148)	(80)
Treasurer's Services	20,006	0	(6,103)	(1,392)	12,511
Total	105,169	(35,364)	(14,413)	(16,251)	39,141

The following services (which are not included above) are wholly self-funded and do not impact on Council Tax.

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Business Strategy and Support					
SCOMIS	3,700	0	(1,733)	(1,967)	0
Treasurer's Services					
Devon Audit Partnership	1,310	0	(1,310)	0	0
Total	5,010	0	(3,043)	(1,967)	0
Grand total	110,179	(35,364)	(17,456)	(18,218)	39,141

Grants and Contributions

Service	Funded by	Amount £'000
Private Finance Initiative	Department for Communities and Local Government	6,938
Private Finance Initiative	Exeter Diocesan Board	1,857
Public Health	Department of Health	22,060
0-5 Childrens Services	Department of Health	4,509
Total		35,364

Service Statistics and Other Information

Service/Activity

	Unit of Measurement	2014/15	Change	2015/16
BUSINESS STRATEGY AND SUPPORT				
Property				
DCC owned operational properties (including schools)	No.	706	(41)	665
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	823	(24)	799
High priority backlog of maintenance works	£m	53	(4)	49
County Farms Estate				
No. of Farms	No.	75	(4)	71
Total acreage	Acres	9650	(40)	9610
IT Infrastructure				
Managed Desktops	No.	5,910	1,143	7,053
Networked Sites	No.	375	(52)	323
User accounts (DCC IT systems)	No.	7,150	(473)	6,677
		2012/13 actual	Change	2013/14 actual
CHIEF EXECUTIVE, LEGAL AND COMMUNICATIONS				
Coroners Service				
Caseload	No.	2,918	(38)	2,880
Total inquests opened	No.	341	(23)	318
Natural deaths reported with a Post Mortem	No.	493	64	557
Registration Service				
Certificates issued	No.	56,008	3,317	59,325
		2013/14 actual	Change	2014/15 actual
PUBLIC HEALTH				
Healthchecks offered	Individuals	33,153	12,461	45,614
Healthchecks received	Individuals	14,142	6,469	20,611
Adults referred to weight management services	Individuals	0	1,134	1,134
Adults completing weight management programme	Individuals	0	363	363
	Unit of Measurement	2014/15 estimates	Change	2015/16 estimates
TREASURER'S SERVICES				
Debtors raised p.a.	No.	89,000	0	89,000
Invoices paid p.a.	No.	457,000	0	457,000
Proportion paid using BACS	Percentage	95	0	95

Business Strategy and Support

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Business Infrastructure					
2,292	Customer Services	2,479	(175)	2,304	12
(5,068)	Private Finance Initiatives	3,615	(8,812)	(5,197)	(129)
5,625	Business Services and Support	5,937	(616)	5,321	(304)
2,546	Facilities Management	4,791	(2,241)	2,550	4
5,395		16,822	(11,844)	4,978	(417)
Estates					
393	Estates Corporate	778	(370)	408	15
(273)	Farms	761	(1,054)	(293)	(20)
2,868	Building Maintenance	2,555	(23)	2,532	(336)
2,988		4,094	(1,447)	2,647	(341)
1,329	Procurement	1,650	(375)	1,275	(54)
8,212	ICT	8,734	(1,015)	7,719	(493)
17,924		31,300	(14,681)	16,619	(1,305)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(3,496) Customer and Client Receipts	(3,274)
(6,938) Government and EU Grants	(6,938)
(2,131) Internal Recharges	(2,612)
(1,843) Reimbursements	(1,857)
(14,408)	(14,681)

Service Commentary

The Business Strategy and Support Service is critical for the smooth running of the County Council, enabling all of us to work more efficiently and is fundamental to ensuring that the County Council's key resources are prioritised to meet organisational demand.

As such it covers a range of functions that are critical to supporting frontline service delivery including Information and Communications Technology, Property Asset Strategy, Procurement Services, Land and Property Management (including the County Farms Estate), Facilities management, Business Support (both Front line and back office support), Customer Services Centre, Customer Relations and Information Governance.

In terms of pressures, the two key challenges are; to deliver the budget appraisal agenda for the above services as these are vital to the delivery of People, Place and Corporate Services targets; to ensure efficient and effective service delivery to front-line services, despite increasing demands being placed on these services in support of the Children's Safeguarding Agenda.

Services must also be developed to ensure they meet the changing shape of the Council and to ensure the Council has a robust and secure foundation on which to operate, whilst also contributing to the Council's Budget reduction programme.

	Change £'000
Analysis of changes:	
Technical and Service Changes	
Inflationary increases	572
Removal of one-off commitments in respect of Private Finance Initiative	(130)
Savings requirements	
Staffing reductions	(544)
Corporate Maintenance - savings arising from Budget Appraisal	(370)
Property Rationalisation initiatives	(187)
County Farms - rental reviews (net savings)	(20)
ICT Maintenance - savings arising from Budget Appraisal	(132)
SCOMIS - increased growth from educational marketplace & rationalisation	(199)
Contractual savings	(100)
Savings arising from new delivery model	(195)
Total	(1,305)

Chief Executive, Legal and Communications

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
936	Legal Services	1,849	(897)	952	16
1,328	Media, Marketing and Communications	1,425	(317)	1,108	(220)
1,467	Coroners Service	1,702	(2)	1,700	233
(322)	Registration Service	1,276	(1,627)	(351)	(29)
	Other Services				
207	Corporate Management	274	(64)	210	3
1,769	Cost of Democracy	1,854	(79)	1,775	6
130	Local Authority Subscriptions	130	0	130	0
2,106		2,258	(143)	2,115	9
5,515		8,510	(2,986)	5,524	9

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(2,102) Customer and Client Receipts	(2,205)
(631) Internal Recharges	(781)
(2,733)	(2,986)

Service Commentary

Chief Executive, Legal Services & Communications provides advice, information and support to staff and Members. In addition it also provides for the Registration of Births, Deaths & Marriages, Her Majesty's Coroners Services, Democratic Services and Scrutiny.

There are a number of pressures affecting the service, not least the increasing demands for legal support in respect of childcare and safeguarding adults, and financial pressures on the Coroners Service.

Analysis of changes:	Change £'000
Technical and Service Changes	
Inflationary increases	133
New legislation in respect of Medical Examiner	150
Savings requirements	
Staffing reductions	(234)
Increased income	(40)
Total Chief Executive, Legal and Communications	9

Human Resources

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Human Resources					
1,029	Management and Strategy	958	(34)	924	(105)
490	Employee Services	12,721	(12,452)	269	(221)
774	Performance	758	(27)	731	(43)
1,015	Personnel Services Operations	2,682	(1,636)	1,046	31
1,861	Workforce Development	1,597	0	1,597	(264)
5,169		18,716	(14,149)	4,567	(602)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(2,944) Customer and Client Receipts	(2,831)
(9,246) Internal Recharges	(11,318)
(12,190)	(14,149)

Service Commentary

Human Resources (HR) provide a comprehensive range of professional services to the Administration, Members, Officers and workforce of Devon County Council. This includes:-

- Maximising the skills, capacity and flexibility of the Officers, Managers and workforce
- Effective provision of learning and development to raise competency
- Succession planning and realising management talent and potential
- Providing employment services from the start of employment (e.g. recruitment) through to the end of employment (e.g. retirement) and during employment (e.g. performance management)
- Providing professional services during employment such as Wellbeing@Work, Skills Learning, Occupational Health, Counselling, Redeployment & Re-skilling, Health & Safety, Employee Reward and Payroll
- At a strategic level, looking at future employment trends, constraints and relevant legislation to design and implement solutions that support the Council's continued organisational development

In terms of pressures, the most significant is the challenge of delivering the Budget Appraisal agenda, at a time when there are increasing demands for HR services from front-line services that are themselves undergoing significant organisational change.

HUMAN RESOURCES	Change
Analysis of changes:	£'000
Technical and Service Changes	
Inflationary increases	173
Increased demand for disclosure & barring service checks (DBS)	58
Reductions in staffing & overheads	(58)
Savings requirements	
Staffing reductions	(577)
Reduced workforce development training programmes	(116)
Contractual savings	(82)
Total	(602)

Public Health

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Public Health					
(22,060)	Public Health Income	0	(22,060)	(22,060)	0
5,926	Sexual Health	5,994	0	5,994	68
854	NHS Health Check Programme	903	0	903	49
120	Health Protection	153	0	153	33
87	National Child Measurement Programme	88	0	88	1
501	Public Health Expert Advice	392	0	392	(109)
676	Obesity	437	0	437	(239)
370	Physical Activity	326	0	326	(44)
6,612	Substance Misuse	6,226	(148)	6,078	(534)
1,401	Smoking and Tobacco	1,196	0	1,196	(205)
2,945	Children 5-19 Public Health Programmes	2,958	0	2,958	13
(2,568)		18,673	(22,208)	(3,535)	(967)
Miscellaneous Public Health					
891	Community Safety, Violence Prevention	948	0	948	57
0	Mandated 0-5 Children's Services	4,509	(4,509)	0	0
1,109	Other Public Health	819	0	819	(290)
1,107	Support Services	1,093	0	1,093	(14)
332	Public Mental Health	595	0	595	263
3,439		7,964	(4,509)	3,455	16
871		26,637	(26,717)	(80)	(951)

2014/15 £'000	Breakdown of Gross Income	2015/16 £'000
(22,060)	Government and EU Grants	(26,569)
0	Internal Recharges	(148)
(22,060)		(26,717)

2014/15 £'000	Grants Paid to External Organisations	2015/16 £'000
10	Exmoor National Park	10
20	Dartmoor National Park	20
25	Devon Rape Crisis	50
70	Exeter Community Initiatives	70
10	Young Devon	10

Service Commentary

Responsibility for some key public health functions transferred from the NHS into local authorities with effect from 1st April 2013. The Council is allocated a ring-fenced grant to help deliver against these responsibilities.

Since the transfer into the Council, Public Health have taken on strategic and commissioning responsibility for domestic violence services as well as commissioning new services for the County. These new services include NHS Healthchecks as well as programmes aimed at increasing physical activity and weight management.

During 2015/16 the responsibility for commissioning Health Visitor services will transfer in to the Council, under the responsibility of Public Health. These services are currently provided through the Integrated Children's Services contract that is delivered by Virgin Care Limited. This contracting arrangement will not change. The additional budgetary allocation to cover this transfer of responsibilities has not yet been confirmed.

Public Health	Change
Analysis of changes:	£'000
Technical and Service Changes	
Sexual Health - increased demand on services	68
NHS Health Check - increased activity	49
Health Protection - staffing changes	33
National Child Measurement Programme - minor staffing changes	1
Public Health Expert Advice - staffing reallocation	(109)
Obesity - priority shift to mental health	(239)
Physical Activity - procured service less than previous budget	(44)
Substance Misuse - service reduction and new ways of working	(534)
Smoking and Tobacco - reduced activity in commissioned services and other savings	(205)
Children 5-19 Programmes - staffing changes	13
Community Safety and Violence Prevention - staffing changes	57
Other Public Health - reduction in funding to districts and accident prevention savings	(290)
Support Services - general savings	(14)
Public Mental Health - priority new service for children and young people	263
Total	(951)

Treasurer's Services

2014/15 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2015/16 Outturn Budget £'000	2015/16 Net Changes £'000
Treasurer's Services					
965	Corporate Management and Commissioning	1,851	(975)	876	(89)
1,700	Client Finance Services, Exchequer and VAT	4,592	(2,979)	1,613	(87)
2,447	People Finance Support	2,745	(441)	2,304	(143)
773	Place Finance Support	934	(277)	657	(116)
455	Strategic Financial Planning	613	(148)	465	10
6,340		10,735	(4,820)	5,915	(425)
Other Services					
147	External Audit	106	0	106	(41)
155	Bank Charges	177	0	177	22
6,311	Unfunded Pensions	8,988	(2,675)	6,313	2
6,613		9,271	(2,675)	6,596	(17)
12,953		20,006	(7,495)	12,511	(442)

2014/15 £'000	2015/16 £'000
Breakdown of Gross Income	
(2,696) 3rd Party Pensions Income	(2,675)
(3,283) Customer and Client Receipts	(3,428)
(1,452) Internal Recharges	(1,392)
(7,431)	(7,495)

Service Commentary

The Treasurer provides financial advice and support to Members and to People, Place and Corporate Services. In addition it manages a range of other services, including external audit, bank charges and competition.

In terms of pressures, the most significant of these is delivering the Budget Appraisal agenda, at a time when there are increasing demands for financial support and advice from front-line services that are themselves undergoing significant organisational change.

TREASURER'S SERVICES	Change
Analysis of changes:	£'000
Technical and Service Changes	
Inflationary increases	352
Savings requirements	
Reduced contribution to Devon Audit Partnership	(27)
Reduction in External Audit fees	(41)
Increased income and other net changes	(85)
Unfunded pensions - increased mortality rate	(242)
Reduced staffing	(399)
Total	(442)

Capital Programme

The following table details the medium term capital programme for this service and how that programme is being funded.

Project	*Total Scheme Approval £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business Strategy And Support						
Information and Communications Technology						
Data Classification - digital delivery, open data & mobile public access	600	0	200	400	0	0
Digital Communications & Transactions - to provide a 'Digital by Default' infrastructure	600	200	200	200	0	0
Supporting Infrastructure - key local network switches & equipment to support mobile computing developments	600	200	200	200	0	0
System Strategies - business intelligence infrastructure	600	0	200	400	0	0
User Access & Productivity Tools - mobile technology, devices & implementation of productivity tools	2,300	1,700	600	0	0	0
		2,100	1,400	1,200	0	0
Corporate Property Estate						
Barnstaple Accommodation Improvement	1,529	1,250	0	0	0	0
Barnstaple Civic Centre – future liabilities	600	600	0	0	0	0
County Hall - Renew electrical & power lighting systems	140	0	0	140	0	0
Energy and sustainability	710	710	0	0	0	0
Property Enabling Budget		150	150	150	150	150
Strategic Centre improvement (County Hall heating system)	812	768	44	0	0	0
Strategic Centres Accommodation – annex utilisation (County Hall, Exeter)	60	60	0	0	0	0
Strategic Centres Accommodation Improvement Programme – Exeter	475	475	0	0	0	0
		4,013	194	290	150	150
Total		6,113	1,594	1,490	150	150
Financed by:						
Borrowing - Unsupported		2,328	44	140	0	0
Capital Receipts - General		3,785	1,550	1,350	150	150
Total		6,113	1,594	1,490	150	150

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2014/15 which may be deferred to 2015/16 owing to changes in project delivery timescales.

Devon's County Farms Estate will be delivering capital schemes in 2015/16 and beyond with funds allocated during 2014/15.

