

Revenue Budget 2016/17
Medium Term Financial Strategy to 2019/20
and
Capital Programme 2016/17 to 2020/21

CT/16/12
County Council
18th February 2016

Introduction	5
Setting the Budget.....	5
Relevant Committee Reports	7
Statement on the Robustness of the Budget Estimates and the Adequacy of the County Council's Reserves.....	8
Revenue Budget Overview	9
Key Table 1 – Council Tax Requirement	12
Key Table 2 – Precept & Council Tax	13
Key Table 3 – Reserves and Balances	14
Key Table 4 – Government Specific Grants	15
Key Table 5 – Medium Term Financial Strategy.....	17
Capital Programme Overview	18
The Capital Programme	18
Shaping the Capital Programme.....	18
Availability of DCC Resources – Internal Borrowing and Capital Receipts.....	18
Availability of Resources	18
Demand for Capital Investment	19
The Medium Term Capital Programme	20
Capital Receipts.....	20
Risk Assessment.....	21
Programme Detail	22
People Services	23
Director's Commentary	24
How the 2016/17 Budget has been built up	28
Staffing Data.....	29
Analysis of Total Expenditure for 2016/17	30
Grants and Contributions	31
Service Statistics	32
Children's Social Work and Child Protection	36
Adult Social Care	38
Adult Care Commissioning	40
Education and Learning (General Fund)	42
Education and Learning (Dedicated Schools Grant and other schools funding)	44
Capital Programme	46
Place Services	47
Director's Commentary	48
How the 2016/17 Budget has been built up	51
Staffing Data.....	52
Analysis of Total Expenditure for 2016/17	53
Grants and Contributions	54
Service Statistics	55
Capital Development and Waste Management	58
Economy and Enterprise	60
Highways and Traffic Management	62

Planning, Transportation and Environment	64
Service for Communities	66
Capital Programme	68
Corporate Services	71
Chief Executive's Commentary.....	72
How the 2016/17 Budget has been built up	73
Staffing Data	74
Analysis of Total Expenditure for 2016/17	75
Grants and Contributions	76
Service Statistics and Other Information.....	77
Business Strategy and Support.....	78
Chief Executive, Legal and Communications	80
Human Resources	82
Public Health	84
Treasurer's Services	86
Capital Programme	88
Non Service	89
Medium Term Financial Strategy 2016/17 – 2019/20.....	93
Introduction	93
Key Changes and their impact	93
Other Key Issues	97
Challenges ahead - Devon Responds	98
Conclusion	103
County Fund Balance and Earmarked Reserves 2016/17	105
Introduction	105
Balances	105
Earmarked Reserves	106
Dealing with risks and emergencies.....	106
Details of Individual Reserves Held 2016/17	108
Treasury Management Strategy 2016/17 – 2018/19 and Prudential Indicators 2016/17 - 2020/21	109
Minimum Revenue Provision	109
Capital Expenditure	110
Prudential Indicators	110
Treasury Management Code of Practice	121
Treasury Management Policy	121
Treasury Management Practices.....	122
Risk Analysis of Volatile Budgets	133
Risk Assessments	134
Abbreviations	145

Introduction

2016/17 is the first year of a new Government with a new Comprehensive Spending Review having been announced in November. The Spending Review contains significant changes to Local Government funding over the four years of 2016/17 to 2019/20. Much of the detail is still awaited with consultations expected to take place during 2016/17.

The announcements include:

- A 2% Adult Social Care Precept;
- 100% local Business Rates retention;
- £1.5 billion Improved Better Care Fund;
- Reforms to the New Homes Bonus scheme;
- Capital Receipts flexibilities; and
- Changes to the core funding distribution methodology.

The Revenue Budget Overview on page 9 and The Medium Term Financial Strategy on page 93 provide more detail on these announcements and the potential impact on the authority's budget.

Setting the Budget

The budget book contains details of the County Council's revenue and capital budgets as received by the County Council on 18th February 2016, together with associated financial and operational information. The content is based on the budget report to the Cabinet on 12th February 2016.

- The Council's financial plans are drawn up with reference to:
- the County Council's major policies and objectives;
- the County Council's performance framework;
- demographic changes occurring within the county;
- consultation with local residents, businesses and other stakeholders.

The Government has a major influence on our budget. The Government prescribes a number of duties that we must carry out and/or the standards which must be met, and also contributes a significant proportion of our overall funding - a proportion of which is ring-fenced for spending on specific activities.

The Revenue Budget Overview and Medium Term Financial Strategy (MTFS) set out how the Council is planning its finances over the next 4 years to achieve its strategic priorities. The opening pages provide summary budget data on revenue and capital spending for the whole County Council. The summaries are followed by more detailed analyses and explanations of the budgets allocated to each service area; the Medium Term Financial Strategy, a description of the Reserves held by the County Council; a summary of the Prudential Indicators that are taken into account when deciding how much the County Council can afford to borrow; and the risk assessment made of the budget plans.

Equality Impact and Needs Assessments have been completed and were considered when the budget was set. These are available at

<https://new.devon.gov.uk/impact/published/budget-setting-201617/>

More Information

Contact details are provided throughout the budget book, for any general budget issues please contact Angie Sinclair, Deputy County Treasurer on 01392 380711, angie.sinclair@devon.gov.uk

Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for 2016/17

Date	Committee	Subject	Ref No.
13th January 2016	Cabinet	Revenue/Capital Budget 2016/17	CT/16/2
20th January 2016	Health and Wellbeing Scrutiny	Draft Revenue Budget 2016/17	CT/16/3
19th January 2016	People Services Scrutiny	Draft Capital Programme 2016/17 - 2020/21 and Draft Revenue Budget 2016/17	CT/16/4
21st January 2016	Place Services Scrutiny	Draft Capital Programme 2016/17 - 2020/21 and Draft Revenue Budget 2016/17	CT/16/5
22nd January 2016	Corporate Services Scrutiny	Draft Capital Programme 2016/17 - 2020/21 and Draft Revenue Budget 2016/17	CT/16/6
29th January 2016	Joint Overview/Scrutiny	Draft Capital Programme 2016/17 - 2020/21 and Draft Revenue Budget 2016/17	CT/16/3 CT/16/4 CT/16/5 CT/16/6
12nd February 2016	Cabinet	Impact Assessments	https://new.devon.gov.uk/impact/published/budget-setting-201617/
12nd February 2016	Cabinet	Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions	CS/16/9
12nd February 2016	Cabinet	Overview/Scrutiny Committee recommendations	
12nd February 2016	Cabinet	Revenue Budget and Medium Term Financial Strategy 2016/17 - 2019/20 and Capital Programme 2016/17 - 2020/21	CT/16/11
18th February 2016	Council	Revenue Budget and Medium Term Financial Strategy 2016/17 - 2019/20 and Capital Programme 2016/17 - 2020/21	CT/16/12

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 2016/17 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 on page 133 to 144.

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 on pages 23 to 88.

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 2016/17 have been set at £14.6 millions. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided on page 106

In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2017 is estimated at £53.2 millions.

The total for revenue reserves and balances for 2016/17 is forecast as £67.8 millions. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2015/16 provides an indication of the pressures facing the authority in 2016/17. In 2015/16 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 2016/17 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 2016/17. The total level of reserves and balances of £67.8 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 Overview

Revenue Expenditure

Detailed budgets have now been produced within the parameters set by Cabinet in January 2016; these are shown on pages 23 to 88. The budget pages also show the reduction in budgeted staff numbers on a service by service basis.

The service budgets on pages 23 to 88 total £443.5 millions. In summary, these budgets have been increased by £34.2 millions to help fund demographic growth and demand pressures. A further £9.7 millions has been added to allow for inflation. The budget has been balanced by a programme of savings and efficiencies of £34.3 millions

The targets set for each service area have aimed to reflect the priorities of the Council and to support services where the greatest demand and cost pressures exist. The target budgets set represents a 5.4% increase to People Services, a reduction of 3.5% to Place Services and a reduction of 8.8% to Corporate Services; overall an increase of 2.2% to our service budgets. In addition to the service specific pressures the target budgets include just over £7 millions to fund the cost of the National Living Wage and £2.3 millions for changes to National Insurance.

Over the five year period 2011/12 to 2015/16 the Council has had to make savings of £174 millions. This degree of change comes with risk. The risks associated with the delivery of the 2016/17 budget and the mitigating action needed to try to contain that risk is detailed on pages 133 to 144.

Revenue Expenditure - Other items

Page 91 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 on page 18 to 22. Factors that influence the income gained from our balances are set out on page 109 that explains the Council's Treasury Management Strategy. Also within the Treasury Management Strategy is the Council's Minimum Revenue Provision Policy that sets out the Council's approach to setting aside funds to repay its debt. The policy on page 109 contains some important changes to both 2015/16 and 2016/17.

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

Key Table 1 page 12 shows how the Council's net budget is funded with just under 30% coming from Central Government.

The Final Settlement of £151.6 millions was received on 8th February; this is in line with the Provisional Settlement received in December. However, following considerable representation by Shire Counties and Local Government organisations the Government has added £210 millions to the funding available to English authorities. The Government has increased the Rural Services Delivery Grant and introduced a Transition Grant to

help to cushion the impact of its new funding methodology. For Devon this has meant an increase in funding of £8.4 millions when comparing the Provisional Settlement with the final announcement.

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 £6.324 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.

Authorities with social care responsibilities have been given new powers to set a 2% Social Care Precept in 2016/17 and each year up to, and including, 2019/20. This equates to just under £6.5 millions in 2016/17 and is included within the Council Tax Requirement.

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 Key Table 4 page 15 and 16. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2016/17 the Dedicated Schools Grant has increased to £465.6 millions from £460.4 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. Page 105 to 108 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.

Beyond 2016/17

Indicative funding figures have been received for the three financial years from 2017/18 to 2019/20. This is very welcome, however there is no information as yet from Government on what new responsibilities will pass to Local Government. Over the four year period Government funding is reduced as Revenue Support Grant reduces. So in 2016/17 we will receive £151.64 millions; this reduces to £128.24 millions in 2017/18; £114.91 millions in 2018/19 and £102.31 millions in 2018/19 – by which time Revenue Support Grant will have reduced to just £540,000. However, the Government has indicated that, to secure this funding, Councils will have to issue an efficiency plan for each one of these years demonstrating how it aims to become more efficient and save money. As yet there is no further detail as to what this means or the form it will take.

Key Table 5 on page 17 sets out the Medium Term Financial Strategy with detail provided on pages 93 to 103.

Conclusion

The reductions to grant funding in 2016/17 are greater than even the most pessimistic would have anticipated. A new funding methodology has been adopted without consultation. However, it has heralded a new era in Local Government Finance. Some flexibilities, such as the ability to raise Council Tax, have been granted even if only for a specific purpose and hedged around with many bureaucratic rules. Despite that, at the end of the four year period the Council will be less reliant on Central Government funding and may have more control over its financial destiny – that could be viewed as a good opportunity even if the journey to greater self determination is very bumpy and the road not clearly marked.

Key Table 1 – Council Tax Requirement

2015/16 Adjusted Budget £000	Changes £000	2016/17 Budget £000
506,070 Schools	104	506,174
(506,070) Dedicated Schools Grant	(104)	(506,174)
299,942 Non-schools	16,176	316,118
299,942 People Services	16,176	316,118
97,329 Place Services	(3,395)	93,934
36,716 Corporate Services	(3,230)	33,486
5,140 Pension Contribution Shortfall	570	5,710
439,127 TOTAL SERVICE BUDGETS	10,121	449,248
Other budgets		
53,884 Capital Financing Charges	(9,623)	44,261
13,775 PFI Financing Charges	(2,044)	11,731
(939) Interest on Balances	(276)	(1,215)
250 Revenue Support for Flood Prevention Works	0	250
433 Adoption Reform and Special Educational Needs	55	488
350 Council Tax Support Partnership	0	350
5,843 Implementation of the Care Act	(5,843)	0
2,000 Dartington School	(610)	1,390
3,000 New Burdens/Social Care Resilience	2,000	5,000
1,500 Bellwin Scheme Related Emergencies	0	1,500
0 Highways Drainage & Safety Defects	1,000	1,000
0 Transformation including Public Health	1,000	1,000
1,000 Local Welfare Assistance	(1,000)	0
100 Road Gritting	(100)	0
100 Public Transport	(100)	0
100 Crossing Patrols	(100)	0
40 Citizen's Advice Bureaux	0	40
7,776 Spending from Reserves	(3,978)	3,798
Payments made to Outside Bodies		
421 Environment Agency - Flood Defence	42	463
330 Inshore Fisheries and Conservation Authority	(4)	326
Reserves and Balances		
(7,776) Use of Reserves	3,978	(3,798)
0 Transfer from Budget Management Reserve	0	0
2,500 Contribution to Transformation Reserve	2,500	5,000
Other Grant Income		
(433) Adoption Reform and Special Educational Needs Grant	(55)	(488)
(1,360) Business Rates Cap Compensation Grant	0	(1,360)
(5,843) Implementation of the Care Act Grant	5,843	0
(2,820) Independent Living Fund Grant	0	(2,820)
(6,420) Education Services Grant	604	(5,816)
(673) Local Service Support Grant	333	(340)
(4,264) New Homes Bonus	(1,106)	(5,370)
(308) New Homes Bonus Adjustment Grant	78	(230)
(1,588) Small Business and Empty Property Rate Relief Grant	334	(1,254)
0 Rural Services Delivery Grant	(7,409)	(7,409)
0 Transition Grant	(2,823)	(2,823)
500,105 NET BUDGET (BUDGET REQUIREMENT)	(7,183)	492,922
Financed by:		
(86,621) Revenue Support Grant	28,921	(57,700)
(71,514) Business Rates Retention Scheme Top-Up	(596)	(72,110)
(21,692) Business Rates Retention Scheme Local Element	(523)	(22,215)
982 Collection Fund Deficit - Business Rates Retention Scheme	(22)	960
(4,149) Collection Fund Surplus - Council Tax	(2,175)	(6,324)
317,111 COUNCIL TAX REQUIREMENT	18,422	335,533

The 2016/17 Band D Council Tax is increased by 3.99% to £1,207.62

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	£'s
County Council Budget funded by District Councils' collection fund	341,856,753.87
Net Surplus on Council Tax collection in previous years	-6,324,149.99
Total to be met from Council Tax precepts in 2016/17	335,532,603.88

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate %
East Devon	57,203.00	56,404.00	98.60
Exeter	36,525.00	35,429.00	97.00
Mid Devon	28,068.40	27,507.03	98.00
North Devon	32,868.29	32,210.92	98.00
South Hams	37,757.82	37,003.99	98.00
Teignbridge	47,269.70	46,797.00	99.00
Torrige	23,107.41	22,760.83	98.50
West Devon	20,343.07	19,733.41	97.00
Total	283,142.69	277,846.18	98.13

COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

Valuation Band	Government Multiplier		Council Tax £'s
	Ratio	% of Band D	
A	6/9	66.7	805.08
B	7/9	77.8	939.26
C	8/9	88.9	1073.44
D	1	100.0	1,207.62
E	11/9	122.2	1,475.98
F	13/9	144.4	1,744.34
G	15/9	166.7	2,012.70
H	18/9	200.0	2,415.24

The County Council Tax for Band D represents an increase of 3.99% on the 2015/16 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2016/17

District Council	Surplus (deficit) for 2015/16 £'s	Precepts Due 2016/17 £'s	Total due in 2016/17 £'s
East Devon	1,107,365.99	68,114,598.48	69,221,964.47
Exeter	582,812.00	42,784,768.98	43,367,580.98
Mid Devon	42,718.00	33,218,039.57	33,260,757.57
North Devon	43,997.00	38,898,551.21	38,942,548.21
South Hams	1,270,000.00	44,686,758.40	45,956,758.40
Teignbridge	1,440,129.00	56,512,993.14	57,953,122.14
Torrige	626,128.00	27,486,433.52	28,112,561.52
West Devon	1,211,000.00	23,830,460.58	25,041,460.58
	6,324,149.99	335,532,603.88	341,856,753.87

Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	£'000
Estimated balance as at 31st March 2016	14,601
Add contribution in 2016/17	0
Estimated balance as at 31st March 2017	14,601

Note: The estimate of both working balances and earmarked funds as at March 2016 reflect the best known information to date: the final totals will change as a result of decisions taken at outturn.

EARMARKED REVENUE RESERVES	Estimated Balance at 31.03.16 £'000	Estimated Spending £'000	Estimated Income £'000	As at 31.03.17 £'000
Affordable Housing	339	100		239
On Street Parking	3,597	836		2,761
Public Health	172	172		0
Budget Management	23,130			23,130
Business Rate Risk Management	2,034			2,034
Emergency	15,000			15,000
Service Transformation	7,762	2,690	5,000	10,072
Total Earmarked Revenue Reserves	52,034	3,798	5,000	53,236

Key Table 4 – Government Specific Grants

Government Grants and Contributions	Funded by	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
People Services					
Children's Social Work and Child Protection					
Assessed and Support Year in Employment	Department for Education	26	26	26	26
Youth Detention Grant	Ministry of Justice	26	26	26	26
Youth Justice Grant	Youth Justice Board	241	241	241	241
Police & Crime Commissioner Grant	Office of the Police & Crime Commissioner	24	24	24	24
Unaccompanied Asylum Seekers Grant	Home Office	35	35	35	35
Adoption Inter-agency Fees Grant	Department for Education	23	0	0	0
Troubled Families Programme	Department for Communities & Local Government	1,333	1,459	1,614	1,769
Contributions	Health and other local authorities	2,347	2,347	2,347	2,347
Adult Social Care					
Local Reform Community Voices Grant	Department of Health	138	138	138	138
Contributions	Health and other local authorities	17,669	17,669	17,669	17,669
Adult Care Commissioning					
Local Reform Community Voices Grant	Department of Health	344	344	344	344
Contributions	Health and other local authorities	262	262	262	262
Education and Learning - Dedicated Schools Grant					
Dedicated Schools Grant*	Education Funding Agency	461,340	461,340	461,340	461,340
Early Years - Disadvantaged 2 Year Olds	Education Funding Agency	4,299	4,299	4,299	4,299
Post 16 Funding	Education Funding Agency	6,267	6,267	6,267	6,267
Pupil Premium	Education Funding Agency	23,498	23,498	23,498	23,498
Universal Free School Meals	Education Funding Agency	7,995	7,995	7,995	7,995
PE & Sport Grant	Department for Education	2,775	2,775	2,775	2,775
Music Grant	Arts Council	841	841	841	841
Contributions	Health and other local authorities	543	543	543	543
People Services Total		530,026	530,129	530,284	530,439
Place Service					
Economy and Enterprise					
LAG - MIL (Making it Local 2)	RDPE	58	59	60	58
LAG - REAL Devon	RDPE	50	52	52	51
Planning, Transportation and Environment					
Natural Futures	Heritage Lottery	72	68	0	0
Areas of Outstanding Natural Beauty	DEFRA	291	291	291	291
Areas of Outstanding Natural Beauty	Other Local Authorities	72	72	72	72
Environment and Sustainable Travel	Other Local Authorities	86	56	86	56
Maritime and Fisheries projects	Other	15	15	15	15
South West Coast Path & Country Parks	Natural England	104	104	104	104
Highways and Traffic Management					
ExeRail	Other Local Authorities	30	30	30	30
South West Coast Path & Country Parks	Other Local Authorities	45	45	45	45
South West Coast Path & Country Parks	Natural England	142	142	142	142
		965	934	897	864

Government Grants and support from	Funded by	2016/17	2017/18	2018/19	2019/20
		£'000	£'000	£'000	£'000
<u>Place Service continued</u>					
Services For Communities					
Learn Devon - Community Learning	Skills Funding Agency	1,939	1,939	1,939	1,939
Learn Devon - Adult Skills Budget (inc Learn Devon - 24+ Advanced Learning Loans Facility	Skills Funding Agency	892	892	892	892
	Skills Funding Agency Education Funding	44	44	44	44
Learn Devon - 14-19 EFA Funding	Agency	199	199	199	199
Active Devon	Sport England	748	738	338	338
Active Devon	Other	83	58	44	4
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	113	114	114	115
Transport contributions	Other	923	841	826	811
		6,187	6,071	5,642	5,588
Place Service Total		7,152	7,005	6,539	6,452
<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	1,870	1,887	1,903	1,919
Public Health	Department of Health	28,952	28,238	28,238	28,238
Public Mental Health	Better Care Fund	91	91	91	91
Corporate Service Total		37,851	37,154	37,170	37,186
Total Government Specific Grants		575,029	574,288	573,993	574,077

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.

*The Dedicated Schools Grant is estimated on October 2015 pupil numbers. The final grant allocation is expected to be notified by end of March 2016.

Key Table 5 – Medium Term Financial Strategy

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
People	316,118	329,541	346,336	365,260
Place	93,934	97,462	101,192	105,117
Corporate	33,486	34,597	35,711	36,778
Savings to Services		0	(12,545)	(40,424)
County Election	0	1,500	0	0
Central Contingency - National Living Wage	0	134	438	1,094
Pension contribution shortfall	5,710	6,210	6,710	6,710
TOTAL SERVICE BUDGETS	449,248	469,444	477,842	474,535
Other Budgets				
Capital Financing Charges	44,261	42,286	42,609	42,132
Exeter Schools PFI Financing Charges	6,893	6,893	6,893	6,893
Exeter Energy from Waste PFI Financing Charges	4,838	4,838	4,838	4,838
Interest on Balances	(1,215)	(1,615)	(1,990)	(1,990)
Revenue Support for Flood Prevention Works	250	250	250	250
Special Educational Needs and Disability	488	488	488	488
Council Tax Support Partnership	350	350	350	350
Dartington School	1,390	735	0	0
Social Care Resilience	5,000	0	0	0
Bellwin Scheme Related Emergencies	1,500	0	0	0
Highways Drainage and Safety Defects	1,000	0	0	0
Transformation including Public Health	1,000	0	0	0
Citizen's Advice	40	40	40	40
Spending from Reserves	3,798	5,710	4,101	1,875
Payments Made to Outside Bodies				
Environment Agency - Flood Defence	463	509	560	616
Inshore Fisheries Conservation Authority (IFCA)	326	326	326	326
Reserves and Balances				
Use of Reserves	(3,798)	(5,710)	(4,101)	(1,875)
Transfer from Budget Management Reserve	0	(11,600)	0	0
Contribution to Service Transformation Reserve	5,000	5,000	5,000	5,000
Other Grant Income				
Business Rates Cap Compensation Grant	(1,360)	(1,360)	(1,360)	(1,360)
Special Educational Needs and Disability Grant	(488)	(488)	(488)	(488)
Independent Living Fund (ILF)	(2,820)	(2,820)	(2,820)	(2,820)
Education Services Grant	(5,816)	(4,144)	(2,625)	(1,247)
Local Service Support Grant	(340)	(21)	(21)	(21)
New Homes bonus	(5,370)	(5,370)	(3,270)	(3,163)
New Homes Bonus Adjustment Grant	(230)	(230)	(230)	(230)
Small Business and Empty Property Rate Relief Grant	(1,254)	(1,286)	(1,319)	(1,353)
Rural Services Delivery Grant	(7,409)	(5,983)	(4,602)	(5,983)
Transition Grant	(2,823)	(2,810)	0	0
Improved Better Care Fund	0	(200)	(10,248)	(19,650)
NET BUDGET (BUDGET REQUIREMENT)	492,922	493,232	510,223	497,163
Financed By:				
Revenue Support Grant	(57,700)	(32,445)	(16,294)	(537)
Business Rates Retention Scheme Top-Up	(72,110)	(73,528)	(75,697)	(78,116)
Business Rates Retention Scheme Local Element	(22,215)	(22,646)	(23,270)	(24,000)
Collection Fund Deficit - BRRS	960	1,000	1,000	1,000
Collection Fund Surplus - Council Tax	(6,324)	(3,000)	(3,000)	(3,000)
2% Social Care Precept	(6,453)	(12,967)	(19,549)	(26,197)
COUNCIL TAX REQUIREMENT	(329,080)	(337,101)	(345,534)	(354,178)
Budget Savings Required	34,317	12,545	27,879	12,135
Savings identified to date	(34,317)	(7,119)	(6,048)	(2,484)
Savings to be identified	0	5,426	21,831	9,651

Capital Programme Overview

The Capital Programme

The capital programme has been produced and covers the next five years with the aim to maximise investment in the authority's infrastructure and assets necessary to support service delivery while minimising the impact on the revenue budget. As part of last year's budget, scope was found to finance a number of new high priority schemes. This plan has sought to minimise the introduction of new schemes in order that the impact of capital financing costs upon revenue budgets is limited in the medium term.

Shaping the Capital Programme

The shape and size of the capital programme is determined and influenced by a number of factors including the availability of resources. As part of last years programme, due to the availability of internal cash resources, there was scope to introduce a number of new schemes which reflects the demand for capital investment within the Authority. These were all high priority schemes and were funded from capital receipts.

By using capital receipts as a funding source this approach has ensured the Authority has been able to contain its level of debt and therefore its overall level of borrowing. The policy of not undertaking any new borrowing is set out within the council's Treasury Management Strategy with the authority not having undertaken any new external borrowing since January 2008.

As set out in the Treasury Management Strategy, the council has changed its Minimum Revenue Policy (MRP) in 2015/16. The consequence of this change is that the Authority will have a lower amount of internal cash resources available in future years. In shaping the capital programme in future years the change to the MRP policy will mean there is limited flexibility to add new schemes to the programme funded from corporate resources.

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 2016/17 there are no new capital schemes recommended to be funded from borrowing.

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 2016/17 and beyond one new scheme has been recommended and will be funded from capital receipts. This ensures minimal impact on the revenue budget but, by its nature, this funding source is limited to the amount of DCC assets that are available for disposal and can be sold.

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

Availability of Resources

The capital programme is also influenced by the external capital funding that becomes available. Its size 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 set the needs based formula funding allocation for the period 2015/16 - 2017/18 and indicative allocations for 2018/19 - 2020/21. A new element was also introduced called an Incentive Fund. This fund will reward high performing local authorities who can demonstrate they are delivering value for money in carrying out cost effective improvements and have effective asset management planning. Indicative allocations have been advised for the period 2016/17 - 2020/21. These sums have been built into the capital programme.

The Department for Transport continues with the policy that it will no longer set aside a proportion of 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 within the local Transport Plan (LTP) maintenance budget in 2016/17 to address this issue.

The capital programme has schemes which are reliant upon the receipt of external contributions. This includes section 106 agreements and the Community Infrastructure Levy (CIL). Such schemes are fully funded but due to the flow of cash from these contributions, there can be a time lag between when a capital scheme has been completed and paid for by DCC and when the actual cash contribution is received. In these cases "forward funding" by the Authority is required. This is where the council will use internal resources to fund schemes in advance of the actual receipt of section 106 or CIL monies. As the amount of schemes funded from section 106 contributions or CIL increases this will have an impact upon the level and availability of internal resources.

The council introduced a revised Minimum Revenue Policy (MRP) in 2015/16. MRP is the charge to the authority's revenue account to make provision for the repayment of the authority's external debt. The revised policy has reduced the charge to the revenue budget by applying the charge over the life of an asset from a reducing balance method.

In recent years the authority has used its cash balances i.e. internal borrowing to fund the capital programme. The main impact of the revision to the MRP policy is that it will reduce the amount of cash set aside for the repayment of debt and therefore cash balances. Internal cash will also be applied to forward fund capital schemes in advance of receipt of section 106 and CIL monies.

A combination of the ongoing impact of forward funding and the revised MRP policy will be to limit the availability of internal borrowing for capital financing purposes. If the future capital programme cannot be contained within available capital receipts, grants, contributions and limited internal borrowing, external borrowing may be required.

This is not envisaged in the short to medium term if a prudent capital programme is set. However, this will need to be closely monitored if the level of cash balances reduces. In the longer term this may restrict the number of new schemes that can be started in future plans and in a worse case scenario preclude or delay the start of a scheme due to the impact upon the Authority's overall cash position.

Demand for Capital Investment

In recent years, there were strict rules on new schemes that were funded from corporate resources. Having reviewed the overall resource envelope there is only one new scheme that has been approved which is within Authority Farms. This scheme has been included

to ensure that the Authority is able to meet its statutory and legislative requirements within the Authority Farms estate. This includes compliance with Water Resources Regulations, Silage, Slurry and Agricultural Fuel Oil Regulations and the Housing Act to ensure the Authority discharges its landlord obligations.

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 A. The funding available in forecast years will change as Government policies and grant allocations are published.

Table A: Forecast spending by funding source

Funding Source	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Borrowing - Unsupported	4,939	9,326	6,916	573	0
Borrowing - VELP	1,396	1,550	1,150	1,150	1,150
Capital Receipts - General	9,193	6,772	1,791	1,155	317
Capital Receipts - IID	1,202	463	226	226	0
Direct Revenue Funds - Services	250	250	250	250	250
External Funding - Contributions	1,651	1,465	760	380	50
External Funding - Grants	81,094	84,353	58,914	52,862	51,179
External Funding - S106	7,903	5,021	0	6,500	0
Total	107,628	109,200	70,007	63,096	52,946

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

Table B: Anticipated Capital Programme

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
People	10,829	9,372	9,267	2,287	2,284
Place	93,013	98,338	60,590	60,659	50,512
Corporate	3,786	1,490	150	150	150
Total	107,628	109,200	70,007	63,096	52,946

The continued overall reduction in revenue funding over the medium term 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. As part of the local government finance settlement the government has announced that local authorities will have greater flexibility as to how they use capital receipts. Local authorities will be able to use receipts to fund the set up costs for projects that are expected to deliver revenue savings. However, only in year generated receipts can be applied. Previously held receipts are not usable for this purpose. Further guidance is expected from Government and local authorities will have to prepare an annual efficiency strategy listing all projects which will require council approval.

The movement in capital receipts is forecast as follows:

	2016/17
	£'000
Estimated unapplied balance brought forward – General	10,870
Estimated unapplied balance brought forward – Investing in Devon	6,920
	17,790
Estimated receipts generated in-year	7,000
Anticipated application of general receipts – 2016/17 MTCP	(9,193)
Anticipated application of general receipts - 2015/16 slippage	(6,527)
Anticipated application of IID receipts - 2016/17 MTCP	(1,202)
Anticipated application of IID receipts - 2015/16 slippage	(1,132)
Movement in Year	(11,054)
Capital Receipts Unapplied at year end – general	2,150
Capital Receipts Unapplied at year end – Investing in Devon	4,586
Total Capital Receipts Unapplied	6,736

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 including the expected receipt of external contributions which have been forward funded e.g. s106 contributions and CIL.

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 Authority 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 this booklet show the detailed breakdown of the Medium Term Capital Programme on a scheme by scheme basis.

They are found on the following pages:

People - Pages 23 to 46

Place - Pages 47 to 70

Corporate - page 71 to 88

People Services

Director's Commentary

2015/16 has been a very challenging year for all the major services within People as we face increasingly stringent regulation and continued financial pressures with local government funding continuing to reduce while the need for services and the costs of those services continue to rise.

Before turning to the general challenges we face it is worth noting the particularly keen demand pressures felt in Children's Social Care and Child Protection in the current year. These must be seen alongside improvements in the service as we have moved from an overall Ofsted judgment of "inadequate" to "requires improvement" as judged by Ofsted's inspection of February to March 2015. This certainly does not leave room for complacency, and we have much to do, but the changes that we and our staff have instituted set us on a road to improvement and we must keep improving in all areas. However the year has also seen very great spending pressures and in retrospect the level of savings that were accepted in last year's budget (a cash reduction of £5.4 millions) was probably too great to deliver at the same time as delivering the necessary improvements in quality. There have also been increases in the costs of placements and the number of children in care; this in turn meant that plans to reduce social work staffing numbers could not be instituted and the costs of agency staff continued to be high. Devon is certainly not alone in facing increasing pressure, especially in the numbers of children requiring an assessment. As this commentary is written, the number of placements has for several months been steady or very slightly down, while both overall social work staff numbers and agency numbers have been reducing. Nonetheless, this budget recognises the need to put more funding into Children's Social Work and Child Protection, which will always be an area of the utmost importance for the Council. Including the increased cost of National Insurance and the effect of the introduction of the National Living Wage, financial pressures of £14.4 millions have been recognised, offset by savings plans of £3 millions to give a cash injection of £11.4 millions.

The financial savings plans in Children's Social Care and Child Protection for next year concentrate on improving both our management of the provider market and our own practice in arranging care so that we obtain better average rates, rather than reducing the numbers of children in care. The budget will buy care for 687 looked after children, which is close to the level that we have had for several months. In staffing we plan to keep social work teams at approximately the current levels until the number of children who require an assessment of need starts to reduce. There is a relatively small planned staffing reduction of £160,000, and we also intend to reduce the rates we pay for Agency staff saving £348,000 but overall these are outweighed by the funding put into social work staffing to reflect current pressures, so "budget to budget" there is an increase in funding of £1.7 millions.

The plans to reduce staffing costs in the future will rely in part on enhancing Early Help, including family group conferencing and specific focus on avoiding teenagers coming into care by working closely with families. We expect that this will lead to fewer children entering care in the future, but the numbers will be low at first, averaging six diversions from care per month toward the end of the 2016/17 financial year, increasing to ten per month toward the middle of 2017/18.

More generally across all services in People there are four areas of focus:

- **Performance** – our services must be safe and effective whether they are provided by the Council or purchased. Reference has been made above to improvements in Children’s Services and there are more good and outstanding schools than a year ago. 88% are now judged to be good or better which places DCC maintained schools 4% above the national average, and 2nd overall compared with all Shire counties nationally. Adult Social Care continues to perform well, being rated as good as or better than the national average in 17 of 27 national framework indicators, but in all areas we can do better and we will continue to plan and press for improvement.
- Our own **workforce** is critical to success and we all recognise and value the complexity of many of the decisions our staff make every day. Our task is to provide our workforce with the right tools to assist decisions, in the right environment and with the right support, so that we can offer the best options, especially for vulnerable people. Very many of the savings strategies set out in this budget are reliant on our workers adopting approaches that help people and families to come up with solutions that maximise their personal independence and / or strengths. Such choices are individual, based on each person’s circumstances which means there is no predetermined set pattern. Seeking solutions that are based on people trying to find their own answers is an essential component of meeting the financial challenge, as this approach can enhance someone’s independence, even if in the short term more help must be applied, perhaps to meet a particular crisis. But the complexity of doing this while ensuring safety is something we must recognise. Recruiting sufficient skilled workers to achieve these outcomes is a constant challenge, particularly given a highly competitive national labour market for social workers, teachers, educational psychologists, therapists and others. In all these areas there are financial risks of having to pay more to attract people - or paying still more because we cannot recruit and have to pay premium costs for agency workers. To mitigate this, a workforce that is confident and supported is vital, so that we create an environment where people positively want to work for us.
- Our operational workforce also plays a key role in **demand management**, as do our commissioning strategies. Demand management involves at one level deploying strategies to prevent, reduce or delay the need for services where it is appropriate to do so. This includes the Early Help approach in Children’s Social Care; and important alignment with public health and schools through working with district nurses and health visitors. In adults the approach to demand management includes the continuing success of reablement strategies and rapid response, working closely with health partners. In all cases the aim is to ensure we have the right support at the right time and place and to the right level.
- Our **commissioning** strategies involve working closely with private and voluntary providers of care so that we have a joined up view of what the future need for services will be in terms of levels of demand, quality requirements and to understand the strains and risks in the provider market. In adults there is a new statutory duty under the Care Act to ensure market sufficiency, which, combined with the introduction of the National Living Wage in an employment market that is under strain, poses clear financial risks. In all parts of People we have to make sure that we can buy services that we need, and that these are resilient, so that we are reasonably secure in the future. But risks of escalating cost cannot be ruled out.

The above four areas of focus do not work in isolation from each other – rather we need to bring each to bear in any approach. A final aspect that runs throughout everything that we do is the vital need to work in partnership with others to achieve the results we need. None of this can be achieved alone, we need to work with the private sector,

voluntary, and public bodies including education partners, NHS colleagues, using partnership forums such as the Children's Safeguarding Board, Devon Education Forum, and Youth Justice Board, to get the best results for people.

In Education and Learning, the government policy of promoting conversion to academies will take funding away from the Council, and in time may pose risks to central support functions, although Devon's schools have generally wished to maintain these and are purchasing a range of services. The government has also announced that it will implement the first ever national funding formula for schools in 2017/18 and will consult on proposals in early 2016. The effects of this may be very significant and we will keep a close watch on developments, through continued active involvement with the "f40" group of low funded education authorities.

Rising incidence of Special Educational Needs and Disability (SEND) alongside changes in legislation has led to increased demand for assessments and funding pressures. Placement costs for complex cases have also risen significantly. We will seek to address these pressures by challenging ourselves and our partners to create a culture and expectation that supports children close to home through improved join up across the Council and other public bodies such as NHS and schools.

Leaving the Dedicated Schools Grant, the greatest pressure in Education and Learning "general fund" is in transport. While the numbers of pupils transported to mainstream schools has fallen, costs continue to rise, mainly due to increased provider rates. The number of pupils receiving personalised transport (often because of special educational need) has risen, and these cases tend to be more complex and therefore high cost. In the coming year we will review all options to contain spending. In the first place, as noted above there have been increasing numbers of children reported with special educational needs, and we will seek to manage demand in this area by reviewing needs earlier and in partnership with Children's social work and the NHS and where need exists, discussing with schools and families how it can be most effectively met. In support of this we will seek to create satellite centres, bringing more local provision closer to where it is needed, thus reducing some costs; and we will expand access to Independent Travel Training.

The backdrop for financial challenges in the care for adults has for many years been growing demand due to demographic pressures and increasing incidence of disability. 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 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 11.6% of our population - 3.4 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 2.6% next year, rising to 3.5% per year by 2020.

Overlaid on demographic and demand pressures, there are several other factors at work this year that pose significant financial risks in adult social care.

The effect of the National Living Wage announced in the summer, which replaces the National Minimum Wage for people aged 25 and over, has been calculated according to our best estimates for 2016 /17 and future years, and the 2016/17 effect is included in this budget. The introduction of the National Living Wage is particularly important in the fee rates that we pay for social care.

The new duties set out for market sufficiency in the Care Act 2014 for adult social care have already been mentioned, and the interplay with a provider market that is under strain.

- We will be awarding contracts for Personal Care by the end of March 2016. The tender has been achieved jointly with our NHS CCG partners, and the estimated value of the Council's share of the total contract value over 7 years is £191.4 million. We have made allowance in the budget for expected higher prices here, recognising the vital importance of maintaining supply in this sector, however as we will not know the outcome of the tender at the time of budget setting, there is an inevitable risk that bids are higher than we have estimated.
- There are also concerns about sufficiency in the residential and nursing sector, especially for older people. We will consider options for new models of commissioning to ensure resilient and sufficient supply, and have applied additional funding over inflation to this market in this budget (as well as in the current year, and also for 2017/18 in our medium term planning). We need to keep a watchful eye to ensure that our pricing remains realistic in maintaining a viable market that operates at the right quality and with sufficient capacity that we can purchase.

It will always be a challenge to contain spending within budgets in the services that comprise People, where our statutory duty is to meet the needs of the most vulnerable, where those needs are difficult to predict, and where we depend on a market that is influenced by external pressures. There are many risk factors at work outlined in the risk assessment to this budget. . We have to keep balancing these risks with the need to ensure that we deliver as effectively and efficiently as possible, and it is right that we set a budget that is realistic but challenging.

Jennie Stephens

Strategic Director People

References

<https://new.devon.gov.uk/ofsted/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>

<https://www.gov.uk/government/news/department-for-educations-settlement-at-the-spending-review-2015>

Performance

<https://www.gov.uk/government/publications/adult-social-care-outcomes-framework-2014-to-2015>

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 2016/17 Budget has been built up

	2015/16 Adjusted Budget	Changes	2016/17 Outturn Budget
	£'000	£'000	£'000
Childrens Social Work and Child Protection	64,862	11,355	76,217
Adult Social Care	182,373	5,158	187,531
Adult Care Commissioning	10,471	8	10,479
Education and Learning - General Fund	42,236	(345)	41,891
Education and Learning - School Funding	0	0	0
Total	299,942	16,176	316,118

	Change £'000
Reasons for changes in Revenue Budget	
Technical and Service Changes	
Additional spend - inflation, demographic and other growth in demand	24,310
National Living Wage	6,889
National Insurance	1,103
Reduction in Better Care Fund contributions from CCGs	3,750
	36,052
Savings requirements	(19,876)
Total	16,176

Savings Strategies Analysis	
Strategies to reduce the number of children needing care by early help to families including family group conferences and interventions to avert the need for teenagers to enter care	(311)
Reduce in house care provision and costs	(4,714)
Targeted support - further personalise approach to care	(2,636)
Further personalise the approach to adult care, so that people choose how to direct resources to achieve the outcomes they need on a fair and equitable basis	(4,176)
Strategies to manage demand in adult care including the reablement service and introduction of Extra Care settings	(1,873)
Transfer of expenditure to capital funding	(950)
Consolidation and cost reductions from various external contracts	(847)
Home to school/college transport - efficiency savings and personalised approach to transport	(375)
High cost case reviews	(1,171)
Planned additional income from changes to charging policies	(220)
Planned additional income from increased fee rates (traded services)	(125)
Review of Early Years contracts and service	(449)
Reduce staff costs and rates paid to agency workers in Children's social work	(508)
Residential Special Schools review and redirection to DSG	(315)
Planned reductions in management costs	(140)
Improved practice and strategic commissioning - market management	(1,066)
	(19,876)

Staffing Data

	2015/16	Changes	2016/17		Total
	Adjusted Total		Revenue Funded	Externally Funded	
	FTEs	FTEs	FTEs	FTEs	FTEs
Children's Social Work and Child Protection	726	14	705	35	740
Adult Social Care	1,154	(78)	943	133	1,076
Adult Care Commissioning	80	2	82	0	82
Education and Learning	143	7	112	38	150
Total	2,103	(55)	1,842	206	2,048

Explanation of Movements

Children's Social Work and Child Protection

Children with Disabilities social work team	1
Fostering team restructure	(2)
Youth Offending - Statutory & Prevention	(1)
Early Help Reach services - Child sexual exploitation	4
Additional Personal Advisors within social work	8
Atkinson Unit - additional support posts to reduce need for agency cover	4
	14

Adult Social Care

Reduction in Assessment & Support Staff due to non implementation of parts of the Care Act	(28)
Implementation of reduced in house residential care provision	(82)
Direct Payments & Brokerage staff funded by Health	7
Additional staff for extended hours working	14
Learning Disability care management	11
	(78)

Adult Care Commissioning

Additional capacity to deliver business, efficiency changes and strategic savings	2
	2

Education and Learning

Recommissioning escorts under external contractors for pupils with additional needs	(3)
SEND Implementation support staff funded by grant	6
Virtual School and Inclusion team reflecting service restructure	3
Review of early years service	(1)
Special Educational Services team reflecting restructure	2
	7

Total	(55)
--------------	-------------

Analysis of Total Expenditure for 2016/17

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Childrens Social Work and Child Protection	82,811	(3,890)	(194)	(2,510)	76,217
Adult Social Care	248,977	(17,807)	(43,639)	0	187,531
Adult Care Commissioning	11,089	(606)	0	(4)	10,479
Education and Learning - General Fund	45,145	(917)	(1,658)	(679)	41,891
Education and Learning - School Funding	507,027	(506,641)	(130)	(256)	0
Total	895,049	(529,861)	(45,621)	(3,449)	316,118

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Childrens Social Work and Child Protection					
Atkinson Unit	3,047	(165)	(2,261)	(621)	0
Total	3,047	(165)	(2,261)	(621)	0
Grand total	898,096	(530,026)	(47,882)	(4,070)	316,118

Grants and Contributions

Grant Summary

Service and Grant title	Funded by	Amount £'000
Children's Social Work and Child Protection		
Assessed and Support Year in Employment	Department for Education	26
Youth Detention Grant	Ministry of Justice	26
Youth Justice Grant	Youth Justice Board	241
Police & Crime Commissioner Grant	Office of the Police & Crime Commissioner	24
Unaccompanied Asylum Seekers Grant	Home Office	35
Adoption Inter-agency Fees Grant	Department for Education	23
Troubled Families Programme	Department for Communities & Local Government	1,333
Contributions	Health and other local authorities	<u>2,347</u>
		4,055
Adult Social Care		
Local Reform Community Voices Grant	Department of Health	138
Contributions	Health and other local authorities	<u>17,669</u>
		17,807
Adult Care Commissioning		
Local Reform Community Voices Grant	Department of Health	344
Contributions	Health and other local authorities	<u>262</u>
		606
Education and Learning - Dedicated Schools Grant		
Dedicated Schools Grant*	Education Funding Agency	461,340
Early Years - Disadvantaged 2 Year Olds	Education Funding Agency	4,299
Post 16 Funding	Education Funding Agency	6,267
Pupil Premium	Education Funding Agency	23,498
Universal Free School Meals	Education Funding Agency	7,995
PE & Sport Grant	Department for Education	2,775
Music Grant	Arts Council	841
Contributions	Health and other local authorities	<u>543</u>
		507,558
Total		<u>530,026</u>

*The Dedicated Schools Grant is estimated on October 2015 pupil numbers.
The final grant allocation is expected to be notified by end of March 2016

Service Statistics

Education and Learning

Number of Local Authority Maintained schools and Academies

at Dec 2015

		Number of organisations	Number of Schools		
Local Authority Maintained schools			273		
	Federations	43	112		
	Management Partnerships	4	10		
	% of schools actively collaborating		45%		
Free Schools			5		
Academies			87		
	Number of schools in multi-Academy trusts/collaborations		70		
	% of Academies in multi Academy trusts/collaborations		80%		
Total all schools and Academies			365		
Number of pupils in LA maintained schools		Oct-2014	Change	Oct-2015	
	Nursery Schools	Hours being funded converted to FTE	167	(20)	147
	Maintained Nurseries within Primary Schools	Hours being funded converted to FTE	1,556	47	1,603
			1,723	27	1,750
	Primary Schools	Numbers on Roll	43,553	(1,109)	42,444
	Secondary Schools	Numbers on Roll	14,556	(158)	14,398
			58,109	(1,267)	56,842
Number of pupils in Academy schools					
	Primary Schools	Numbers on Roll	9,130	2,209	11,339
	Secondary Schools	Numbers on Roll	19,581	(235)	19,346
			28,711	1,974	30,685
Number of pupils in Free schools					
	Primary Schools	Numbers on Roll	222	(1)	221
	Secondary Schools	Numbers on Roll	212	75	287
			434	74	508
Total number of pupils in LA Maintained schools, Academies and Free schools					
	Nursery Schools	Pupil Numbers FTE	1,723	27	1,750
	Primary Schools (including Free schools)	Numbers on Roll	52,905	1,099	54,004
	Secondary Schools (including Free schools)	Numbers on Roll	34,349	(318)	34,031
			88,977	808	89,785
Percentage of pupils in academy schools					
	Primary Schools	Numbers on Roll	17.3%	3.9%	21.2%
	Secondary Schools	Numbers on Roll	57.0%	(0.1%)	56.9%

Early Years Education Provision		2015/16	Change	2016/17
Early Years Independent Provision	Pupil Numbers FTE	7,894	309	8,203
Early Years Entitlement Take up	Percentage of eligible children	97.6%	0.4%	98.0%
Disadvantaged Two Year Olds	Pupil Numbers FTE	1,872	(308)	1,564

Young People with Additional Needs		2015/16	Change	2016/17
Number of pupils receiving Top Up funding (Statutory)	Number of young people with a Statutory statement	1,958	(342)	1,616
Number of pupils receiving Top Up funding (Non Statutory)	No of young people with a 'My Plan'	91	450	541
Independent Special Schools (pre 16)	Pupil Numbers	134	(34)	100

		2015/16	Change	2016/17
Maintained Special Schools Pre 16	Number of Planned Places	824	64	888
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	384	91	475
Number of pupils receiving Top Up funding in Alternative Provision	Number of Learners	250	0	250

Transport		2015/16	Change	2016/17
School/ College Transport	Pupil Numbers p.a.	14,711	(450)	14,261
SEN Transport	Pupil Numbers p.a.	1,508	31	1,539

Children's Social Work and Child Protection

		2015/16	Change	2016/17
Looked After Children				
External Residential	Number of young people	90	11	101
Internal Fostering Placements	Number of young people	264	53	317
External Fostering Placements	Number of young people	77	47	124
Foster to Adopt	Number of young people	9	0	9
External Supported Lodgings/Housing	Number of young people	12	15	27
Independent Living	Number of young people	6	(6)	0
Internal Residential Special School	Number of young people	12	4	16
Medical Establishment	Number of young people	12	(6)	6
Placed For Adoption	Number of young people	89	(33)	56
Placed with Parents	Number of young people	29	0	29
Secure Welfare	Number of young people	2	0	2
Remand / Custody	Number of young people	3	(3)	0
Total Looked After Children		605	82	687

		2015/16	Change	2016/17
Other Children's Services				
Staying Put/Care Leavers	Number of young people	55	12	67
Children subject to a Child Protection Plan	Number of young people	580	111	691
Children in Need - Assessments	Number of young people	7,010	696	7,706
Adoption Allowances	Number of young people	152	(24)	128
Special Guardianship Order Allowances	Number of young people	212	59	271
Residence/Child Arrangement Order Allowances	Number of young people	91	(24)	67
Adoption Orders	Number of young people	69	(19)	50
Shortbreak Services and Direct Payments	Number of young people	1,355	(63)	1,292

Adult Social Care

		2015/16	Change	2016/17
Reablement (across all client groups)	Service Users	2,304	192	2,496
These are new people expected to go through the reablement process				

Number of people budgeted to receive service Average through Year

		2015/16	Change	2016/17
Older People - Commissioning				
Residential Care (including Respite)	Service Users	2,029	(32)	1,997
Nursing Care (including Respite)	Service Users	481	18	499
Personal Care	Service Users	3,774	(467)	3,307
Direct Payments	Service Users	689	52	741
Day Opportunities	Service Users	491	(20)	471
Enabling	Service Users	128	7	135
Disability Services - Commissioning				
Residential Care (including Respite)	Service Users	588	(2)	586
Nursing Care (including Respite)	Service Users	44	(2)	42
Personal Care	Service Users	595	(72)	523
Direct Payments	Service Users	1,185	115	1,300
Day Opportunities	Service Users	249	41	290
Enabling	Service Users	1,165	124	1,289
Autistic Spectrum	Service Users	68	8	76
Older People and Disability - In house				
Residential Care (including Respite)	Service Users	71	(21)	50
Day Opportunities	Service Users	300	0	300
Community Enabling	Service Users	240	100	340
Mental Health Services				
Residential Care (including Respite)	Service Users	136	15	151
Nursing Care	Service Users	8	(2)	6
Personal Care	Service Users	19	2	21
Direct Payments	Service Users	136	(14)	122
Day Opportunities	Service Users	11	(3)	8
Enabling/Other	Service Users	558	55	613
Universal Services - Open access day care	Service Users	728	0	728
In house Care Provision - Open access day care	Service Users	292	0	292

This page is left blank intentionally

Children's Social Work and Child Protection

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Children With Disabilities					
5,275	Children In Need Short-Break Services	4,815	(425)	4,390	(885)
4,716	Contracts	4,289	(23)	4,266	(450)
2,762	Social Work Area Teams	3,017	(178)	2,839	77
12,753		12,121	(626)	11,495	(1,258)
Looked After Children (Placements)					
5,891	Children With Disabilities Placements	7,571	(1,188)	6,383	492
2,254	Independent Residential Care	6,036	(333)	5,703	3,449
390	Independent Supported Accommodation	1,682	0	1,682	1,292
3,296	Independent Fostering	6,573	0	6,573	3,277
1,505	Internal Supported Accommodation	545	0	545	(960)
4,853	Internal Fostering	6,684	(35)	6,649	1,796
516	Secure Accommodation	551	(26)	525	9
18,705		29,642	(1,582)	28,060	9,355
Looked After Children (Operations)					
1,749	Special Guardianship Orders	2,234	0	2,234	485
506	Child Arrangements and Private Kinship	406	0	406	(100)
1,481	Adoption Allowances and Fees	1,467	(450)	1,017	(464)
766	Independent Post 18 Placements	1,316	0	1,316	550
689	Internal Post 18 Placements	659	0	659	(30)
3,460	Fostering Team	3,374	(25)	3,349	(111)
1,687	Adoption Team	1,925	0	1,925	238
994	Supervised Contact	1,065	0	1,065	71
512	Children In Need Support	524	0	524	12
11,844		12,970	(475)	12,495	651
Early Help (Provision)					
1,394	Family Service	3,530	(2,107)	1,423	29
286	Early Help Co-Ordination	292	0	292	6
1,143	Youth Offending - Statutory and Prevention	2,247	(1,021)	1,226	83
2,823		6,069	(3,128)	2,941	118
Early Help (Access)					
510	Reach	546	0	546	36
728	Emergency Duty Team	902	(131)	771	43
697	Multi Agency Safeguarding Hub	724	0	724	27
1,935		2,172	(131)	2,041	106
1,138	Independent Reviewing Unit	1,192	0	1,192	54
12,485	Social Work Teams	14,180	(26)	14,154	1,669
3,179	Strategic Management and Legal Costs	4,465	(626)	3,839	660
64,862		82,811	(6,594)	76,217	11,355

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(105) Customer and Client Receipts	(194)
(2,132) Government and EU Grants	(1,708)
(1,503) Internal Recharges	(2,510)
(2,807) Reimbursements	(2,182)
(6,547)	(6,594)

Service Commentary

This service brings together the statutory duties of the Council in relation to child protection. It also includes the Youth Offending Team the Emergency Duty Team and a range of services targeted to support families and thus help to avoid the need for children to come into care.

Analysis of changes:

£'000

Technical and Service Changes

Additional spend - inflation, demographic and other growth in demand	13,619
National Insurance	491
National Living Wage	300

Savings Strategies

Strategies to reduce the number of children needing care by early help to families including family group conferences and interventions to avert the need for teenagers to enter care	(311)
Transfer of expenditure to capital funding	(50)
Consolidation and cost reductions from various external contracts	(400)
High cost case reviews	(500)
Planned additional income from increased fee rates (traded service)	(125)
Reduce staff costs and rates paid to agency workers in Children's social work	(508)
Planned reductions in management costs	(95)
Improved practice and strategic commissioning - market management	(1,066)

Total

11,355

Adult Social Care

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Older People					
23,511	Residential Care	56,178	(30,299)	25,879	2,368
7,381	Nursing Care	15,385	(6,402)	8,983	1,602
15,924	Personal Care	29,105	(8,895)	20,210	4,286
6,077	Direct Payments	7,741	(1,194)	6,547	470
1,185	Day Opportunities	1,387	(155)	1,232	47
4,879	Enabling/Other	3,100	(836)	2,264	(2,615)
58,957		112,896	(47,781)	65,115	6,158
Disability Services					
21,299	Residential Care	27,669	(4,206)	23,463	2,164
1,369	Nursing Care	1,840	(326)	1,514	145
4,413	Personal Care	6,250	(1,380)	4,870	457
17,225	Direct Payments	19,207	(1,199)	18,008	783
1,857	Day Opportunities	1,960	(99)	1,861	4
29,586	Enabling/Other	28,010	(41)	27,969	(1,617)
75,749		84,936	(7,251)	77,685	1,936
18,279	OP&D Care Management	22,335	(3,778)	18,557	278
554	Workforce Development	561	0	561	7
In House Services					
7,571	Residential Care	3,760	(3)	3,757	(3,814)
3,174	Day Opportunities	3,297	(64)	3,233	59
5,347	Reablement and Community Enabling	6,306	(838)	5,468	121
16,092		13,363	(905)	12,458	(3,634)
Mental Health					
3,479	Residential Care	4,768	(728)	4,040	561
188	Nursing Care	139	(20)	119	(69)
69	Personal Care	92	0	92	23
617	Direct Payments	477	(1)	476	(141)
1,614	Day Opportunities	1,785	(173)	1,612	(2)
3,054	Enabling/Other	3,393	(352)	3,041	(13)
3,721	Care Management	4,232	(457)	3,775	54
12,742		14,886	(1,731)	13,155	413
182,373		248,977	(61,446)	187,531	5,158

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(42,701) Customer and Client Receipts	(43,639)
(138) Government and EU Grants	(138)
(21,370) Reimbursements	(17,669)
(64,209)	(61,446)

Service Commentary

The adult social care service is the operational service which offers advice, information and signposting as well as assessment, support planning and reviews for people with eligible social care needs. It arranges care, largely from the independent sector, for either short-term interventions or long-term care on a personalised basis.

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend - inflation, demographic and other growth in demand	10,153
National Insurance	465
National Living Wage	5,910
Reduction in Better Care Fund Contributions from CCGs	3,750
Savings strategies	
Reduce in house care provision and costs	(4,714)
Targeted Support - further personalise approach to care	(2,636)
Further personalise the approach to adult care, so that people choose how to direct resources to achieve the outcomes they need on a fair and equitable basis	(4,176)
Strategies to manage demand in adult care including the reablement service and introduction of extra care settings	(1,873)
Transfer of expenditure to capital funding	(900)
High cost case reviews	(671)
Planned additional income from changes to charging policies	(150)
Total	5,158

Adult Care Commissioning

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Adult Care Commissioning					
1,963	Strategic Commissioning	2,195	0	2,195	232
998	Information and Quality	937	0	937	(61)
6,169	Centrally Managed Contracts	6,627	(580)	6,047	(122)
1,341	Transformation	1,330	(30)	1,300	(41)
10,471		11,089	(610)	10,479	8

2015/16 £'000	<u>Breakdown of Gross Income</u>	2016/17 £'000
(344)	Government and EU Grants	(344)
(4)	Internal Recharges	(4)
(333)	Reimbursements	(262)
(681)		(610)

Service Commentary

Strategic Commissioning staff work to assess the strategic health and social care needs of the Devon population, 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. The commissioning team is also responsible for the coordination of activity and governance of the statutory Safeguarding Adults Board.

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.

Transformation drives the complex changes required to improve services and which supports the delivery of the budget savings strategies across all of People services, in addition to business change in response to a constantly changing regulatory environment.

Analysis of changes:	£'000
Technical and Service Changes	
Additional spend - inflation	46
National Insurance	80
Savings Strategies	
Consolidation and cost reductions from various external contracts	(118)
<hr/> Total	<hr/> 8

Education and Learning (General Fund)

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Infrastructure					
130	Legal Disbursements	70	0	70	(60)
664	Admissions, Data and Strategic Management	849	(244)	605	(59)
0	Teacher Development	312	(312)	0	0
1,141	Teachers Pension - Historic Enhancements	1,201	0	1,201	60
1,935		2,432	(556)	1,876	(59)
School Improvement and Inclusion Services					
2,502	Closing The Gap	2,387	(19)	2,368	(134)
2,656	Inclusion	2,895	(248)	2,647	(9)
1,405	Quality Service and Provision	2,217	(887)	1,330	(75)
694	Safeguarding Every Learner	652	0	652	(42)
7,257		8,151	(1,154)	6,997	(260)
School Transport					
449	Home to College	929	(480)	449	0
12,951	Home to School	13,410	(506)	12,904	(47)
7,380	Personalised Transport	8,515	(304)	8,211	831
20,780		22,854	(1,290)	21,564	784
2,539	Vulnerable Groups and Virtual School	2,567	(95)	2,472	(67)
315	Special Schools - Residential	0	0	0	(315)
9,410	Children's Centres and Early Years Services	9,141	(159)	8,982	(428)
42,236		45,145	(3,254)	41,891	(345)

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(1,530) Customer and Client Receipts	(1,658)
0 Government and EU Grants	(841)
(734) Internal Recharges	(679)
0 Reimbursements	(76)
(2,264)	(3,254)

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 - inflation, demographic and other growth in demand	492
National Insurance	67
National Living Wage	679
Savings Strategies	
Consolidation and cost reductions from various external contracts	(329)
Home to School/College transport - efficiency and personalised approach to transport	(375)
Planned additional income from changes to charging policies	(70)
Review of Early Years contracts and service	(449)
Residential Special Schools review and redirection to DSG	(315)
Planned reductions in management costs	(45)
Total	(345)

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

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Schools					
2,010	Academy and Independents	2,140	0	2,140	130
536	Nursery Schools	485	0	485	(51)
229,194	Primary Schools	233,369	0	233,369	4,175
181,647	Secondary Schools	180,011	0	180,011	(1,636)
413,387		416,005	0	416,005	2,618
De-Delegated Schools Budget					
614	Licences and Subscriptions	596	0	596	(18)
790	Schools and DSG Contingency	1,248	0	1,248	458
1,417	Targeted Specialist Services	1,448	0	1,448	31
133	School Intervention Fund	141	0	141	8
1,165	Maternity	1,284	0	1,284	119
148	Facilitation and Representation	161	(8)	153	5
4,267		4,878	(8)	4,870	603
Central Provision Within Schools Budget					
326	Admissions	397	(91)	306	(20)
875	Pupil Growth - Falling Rolls	1,500	0	1,500	625
873	Termination of Employment Costs	873	0	873	0
930	Local Learning Communities	0	0	0	(930)
207	Other DSG Services	224	(17)	207	0
292	Phase Associations	304	(12)	292	0
937	Support Services	1,022	(85)	937	0
4,440		4,320	(205)	4,115	(325)
High Needs Budget					
0	Early Help and Behaviour Support	236	0	236	236
0	Prevention of Exclusion	20	0	20	20
4,808	Alternative Provision	1,700	0	1,700	(3,108)
1,145	Children In Care and Exclusions	1,236	0	1,236	91
1,558	Closing The Gap	1,558	0	1,558	0
244	Inclusion	364	0	364	120
183	Safeguarding Every Learner	164	0	164	(19)
22,730	Maintained Special Schools	23,366	0	23,366	636
263	Hospital Education Services	292	0	292	29
10,348	SEN Mainstream	10,866	0	10,866	518
1,219	SEN Services	1,219	0	1,219	0
12,585	Other Special School Fees	12,785	(467)	12,318	(267)
3,100	Support Centre Funding	2,512	0	2,512	(588)
706	Nursery Plus	1,164	0	1,164	458
58,889		57,482	(467)	57,015	(1,874)
25,087	Early Years Budget	24,342	(173)	24,169	(918)
Schools Funding					
(5,175)	Early Years - Disadvantaged 2 Year Olds	0	(4,299)	(4,299)	876
(461,388)	Dedicated Schools Grant (DSG)	0	(461,340)	(461,340)	48
(10,762)	Other School Grants	0	(10,770)	(10,770)	(8)
(5,267)	Post 16 Funding	0	(6,267)	(6,267)	(1,000)
(23,478)	Pupil Premium	0	(23,498)	(23,498)	(20)
(506,070)		0	(506,174)	(506,174)	(104)
0		507,027	(507,027)	0	0

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(339) Customer and Client Receipts	(130)
(506,070) Government and EU Grants	(506,174)
(166) Internal Recharges	(256)
(467) Reimbursements	(467)
(507,042)	(507,027)

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 pupil numbers, pupil premium, new delegation and other school grants	2,618
Changes in de-delegation due to academy conversion and increased demand	583
Delegation of Local Learning Community funding to schools	(930)
Pupil Growth - new and expanding schools	625
Additional funding for children with complex needs including increase in maintained special school capacity	1,023
Special School funding review and redirection to DSG	131
Planned reduction in placements within Support Centres and Independent Special Schools	(855)
High Needs Place funding for Alternative Provision directly funded by the Education Funding Agency	(3,108)
Additional support for vulnerable students including those at risk of exclusion	477
County wide early intervention strategy for nursery aged children with additional needs	458
Increase in Dedicated Schools Grant arising from new schools, pupil growth and changes in Early Years take up of hours	(5,840)
High Needs Placements in Non Maintained Special Schools and Academies directly funded by Education Funding Agency	5,818
Increase in Post 16 directly funded placements by Education Funding Agency	(1,000)
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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Children's Social Work and Child Protection						
Adaptations - Disabled childrens houses		140	130	130	130	127
Children in care (contingency)		10	20	20	10	0
Grants to adapt foster carers houses		50	40	50	30	40
The Atkinson Unit outdoor classroom	21	10	0	0	0	0
Total		210	190	200	170	167
Adult Social Care						
Adaptations - Disabled adults houses		150	150	150	0	0
Barnstaple Hub		1,800	1,000	0	0	0
Lifting and handling equipment		10	10	0	0	0
Works for Care Quality Commission & Provider Services		120	0	0	0	0
Total		2,080	1,160	150	0	0
Adult Care Commissioning						
Better Care Fund (Capital)		1,991	0	0	0	0
Disabled Facilities Grant		3,392	0	0	0	0
Extra Care Housing		0	3,818	6,150	0	0
Grants to independent care homes to improve quality / capacity		0	1,000	500	0	0
Total		5,383	4,818	6,650	0	0
Education & Learning						
Devolved Formula Capital (DFC)		2,255	1,904	1,617	1,617	1,617
East-the-Water Community Primary School – Expansion project	50	50	0	0	0	0
External contribution to school projects		50	50	50	50	50
External Grants to school projects		50	50	50	50	50
School budget share contribution to school projects		250	250	250	250	250
St Michaels Church of England Primary School Orchard Rooms	10	10	0	0	0	0
The Grove Primary School – Fixtures, Fittings, ICT and LED lighting	131	41	0	0	0	0
Early Years provision (Kingsbridge) - New Facility	600	0	400	150	0	0
Energy Efficiency Schools Initiative (EESI)		300	400	0	0	0
Vehicle Equipment Loans Pool - Schools		150	150	150	150	150
Total		3,156	3,204	2,267	2,117	2,117
Total		10,829	9,372	9,267	2,287	2,284
Financed by:						
Borrowing - Unsupported		0	1,418	6,171	0	0
Borrowing - VELP		450	550	150	150	150
Capital Receipts - General		2,180	4,140	680	170	167
Direct Revenue Funds - Services		250	250	250	250	250
External Funding - Contributions		50	50	50	50	50
External Funding - Grants		7,899	2,964	1,966	1,667	1,667
Total		10,829	9,372	9,267	2,287	2,284

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2015/16 which may be deferred to 2016/17 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 £9.506 millions have been identified within Place. 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.

Collaboration continues to be a key strategy within Place Services. This focuses on both national and local collaboration to support a range of day to day services along with projects across Devon. Successful collaborations include the Somerset and Devon Heritage Trust, Devon and Somerset Trading Standards service, "Libraries Unlimited" (the new mutual organisation being established to run the library service from 1st April 2016), the joint procurement of the Term Maintenance Contract in Highways, South West Highways Alliance, the Devon Authorities Waste Reduction and Recycling Committee, South West Devon Waste Partnership in the construction and operation of the Energy from Waste facility for Devon, Plymouth and Torbay and construction of South Devon Link Road in partnership with Torbay Council. Regional and multi-agency partnerships enable traffic enforcement across the peninsula and education and training programmes reaching over 25,000 "at risk" individuals per annum at significantly reduced cost to Devon. The County Council also continue to develop commercial opportunities for road safety provision in the private sector, thereby increasing service reach at no additional cost to the Council. Several joint projects are being carried out with the District Councils, these range from a delivery of mixed use development sites (e.g. Sherford) to longer term strategic planning. This joint working helps to secure funding from the development industry for critical infrastructure for which the authority is responsible. Much of the environmental agenda is progressed through collaborative arrangements, such as those for Areas of Outstanding Natural Beauty, the two World Heritage Sites and the Devon Local Nature Partnership; often supported by external grants. Collaborations lead to both funding opportunities and economies of scale across the region and have mitigated service reductions, spread costs across a wider base, ensure capacity and service resilience and offer opportunities for innovation and community enterprise.

Income generation is being explored in order to reduce the impact of reductions on services. Current charges are being reviewed to ensure that they are reasonable and comparable. New areas of charging relating to discretionary services and joint working opportunities link to the collaboration agenda. These areas include charging for disposal of non-statutory waste at recycling centres, selling advertising space in recycling centres, increases to charges in line with traffic strategies to ensure service costs are covered, expansion of Pay and Display parking in the interest of improved traffic management and charging for services provided to other authorities. Charging will be introduced for Pre-Application advice for Planning Applications whilst quarry site monitoring and inspection fees will continue to be reviewed and monitored. The Economy and Enterprise Service is meeting a significant part of its budget reductions through Income Generation. It has entered into a series of Service Level Agreements with the Local Enterprise Partnership, for example providing a leadership role on skills, employment and social inclusion and a programme management service for the Growth Deal Programme. In addition the Service is striving to generate additional income from the Council's industrial estate portfolio, such as generating rental and feed in tariffs through a wind turbine.

Policies and statutory service levels are being reviewed from an operational and procurement perspective, particularly with regard to risk. This area is focusing on the current policy levels and exploring different service delivery models for the future. An extensive project will see the library service externalised into a mutual from 1st April 2016. The Youth Service has recently transferred into Services for Communities as part of the Councils decision to support the establishment of an independent legal entity. Aligning the highways safety inspection policy with national best practice has been approved in order to facilitate a more practical, risk based approach. Other areas where we continue to review activity against statutory responsibilities include the Transport Co-ordination Service, an intelligence led approach to regulation and inspection within Trading Standards, opportunities within the revised procurement of residual waste contract for the North of Devon to maximise opportunity for lower costs solutions and the joint procurement with Somerset and Plymouth of a new Term Maintenance Contract. A new, externalised, model is being sought for the continued operation of the Jurassic Coast World Heritage Site, with transitional arrangements also being explored for the North Devon Biosphere Reserve. The School Crossing Patrols are non-statutory; however they provide an important community service linked to child safety and travel choices at peak congestion times. A new operating model is being sought to enable the service to continue at reduced cost to Devon County Council. Schools will be asked to share the cost by buying in patrols as a discretionary service with support by the County Council through the provision of training and supervisory support. The Devon Travel Academy business and assets are being transferred to Devon and Somerset Fire and Rescue Service in order to protect its long term future.

Longer term strategies currently being explored involve a move towards a more digital approach for services. This will involve increased contacts by the general public via the website and other electronic means. The development of the Highways Systems to collect data and enable web publishing, performance monitor and data management could provide the platform for an authority wide move to "digital by design". Environmental, traffic and accident data systems will continue to be developed online to allow customers direct access. Social media strategies now support traditional intervention formats in order to reduce the costs, and improve the reach, of longer-term support for "at risk" groups. This includes the development of bespoke Apps through collaborative work with other agencies. The Planning Application Portal has recently been refreshed to allow direct access to responses from consultees.

The Community Self-Help scheme is growing with many communities joining to provide minor routine maintenance works which have a local priority. The self-help schemes now cover Road Wardens, Snow Wardens and Public Rights of Way along with a Community Champion for waste reduction. Where communities want local footpath and cycle improvements they will be encouraged to set up community groups to undertake feasibility studies, preliminary design, land acquisition and seek funding opportunities. Following a two year Pathfinder project, community self-help has become an integral element of the approach to flood risk management, with support provided for the launch of the Devon Community Resilience Forum. Working more closely with local communities in relation to the Libraries Service, the newly transferred Youth Service, Public Transport and other service areas has demonstrated the potential to improve outcomes and reduce costs by taking a more community-centred approach which will continue to be developed.

Opportunities arising from external funding continue to be pursued. Highways capital funding has been won through the DfT Challenge Fund to change our street lighting to LED which will generate savings on energy costs. There will also be the opportunity to bid into a DfT Incentive Fund for other highway major schemes. Other opportunities include the Fab Lab, business/IP support to Libraries, skills funding for Learn Devon, sport and physical activity through Active Devon and Total Transport funding to explore collaboration of public sector transport activity. The Economy and Enterprise service continues to lead on external funding opportunities for the Council, including the

European Programme and through this work is seeking to secure additional investment for the Council. Delivering external programmes provides an opportunity to receive a management fee, and undertake consultancy work to support bid writing. Currently the service is delivering two Local Action Groups, funded through the European Agricultural Food and Rural Fund (EAFRD). The County Council is starting to draw down significant levels of national and regional funding to support major flood risk protection schemes (i.e. up to £1.5m for 6 schemes in 2016/17). The County Council has also been very successful at obtaining external funding for schemes to support the infrastructure for Devon including approval for a grant to explore feasibility options for the future development of the North Devon Link Road.

Reductions to services have been inevitable. During 2016/17 the full year effect of the reductions to the bus route support will be seen. A number of grants to outside organisations have been reviewed to ensure they continue to support the priorities of the County Council. As planned in 2012/3 the grants for the Arts will cease in 2016/17. Our contributions to high priority environmental partnerships and projects, such as World Heritage Sites, are continuing, but at a lower level. Funding has also been reduced for waste behavioural work where it is not supported by a strong evidenced business case. The Economy and Enterprise service is reducing the spend on business support and innovation activities. The service will be maintained at a reduced level and additional funding is currently being sought to offset this and indeed increase spend. Staffing levels across Place are reducing which will place a degree of risk on the ongoing ability to proceed with income generation and maintain County Council priorities. The establishment of "Libraries Unlimited" to run the County's library service will offer significant savings opportunities, reducing the risk of service reductions. It is anticipated that this can be mirrored through establishing a similar arm's length organisation to deliver Youth Services. Safety Camera Partnership contributions will fall by 20% as they have for the preceding three years. The business transfer for Devon Travel Academy will lead to a cessation of some road safety training services.

Place Services have achieved the savings identified over the preceding years. There have been some very difficult decisions made to transform or reduce services, against a backdrop of continuing to improve performance in some areas. With austerity a factor for the future, Place Services will continue to assess the needs of the service users whilst taking into account our statutory responsibilities, risk and any opportunity to transform what we do.

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 2016/17 Budget has been built up

	2015/16 Adjusted Budget	Changes	2016/17 Outturn Budget
	£'000	£'000	£'000
Capital Development and Waste Management	27,637	2,299	29,936
Economy and Enterprise	1,219	95	1,314
Highways and Traffic Management	34,518	(2,199)	32,319
Planning, Transportation and Environment	5,351	(490)	4,861
Services For Communities	28,604	(3,100)	25,504
Total	97,329	(3,395)	93,934

Reasons for the change in the Revenue Budget

	Change £000
Technical & Service Changes	
CDWM - Landfill Tax increase	188
CDWM - Tonnage growth and changed disposal method	1,249
CDWM - loss of income and increased recycling centre costs	900
E&E - technical adjustment for loan guarantee	(40)
E&E - revenue match for BDUK project	291
PTE - Sustainable Urban drainage work	85
Communities - Changed funding for bus routes	132
Inflation and National Insurance	3,200
National Living Wage	106
	6,111
Savings requirements	(9,506)
	(3,395)

Analysis of Savings Strategies

Restructure team, turnover management and digital process changes	(973)
Generating additional income	(368)
Reduction in activity and project budgets	(404)
Public Transport Support reductions (Cabinet SC/15/9)	(781)
Revised Funding for transport and highways	(2,108)
Cuts to arts and heritage support	(306)
Contract savings through efficiencies and revised arrangements	(1,373)
Efficiencies from externalisation of Library Service (Cabinet SC/15/23)	(908)
Reduced spend on Highways activities	(2,285)
	(9,506)

Staffing Data

	2015/16		2016/17		Total FTEs
	Adjusted Total FTEs	Changes FTEs	Revenue Funded FTEs	Externally Funded FTEs	
Economy and Enterprise	14	2	12	4	16
Highways and Traffic Management	257	(1)	256	0	256
Capital Development and Waste Management	102	0	102	0	102
Planning, Transportation and Environment	110	(14)	86	10	96
Services for Communities	472	(196)	177	99	276
Total	955	(209)	633	113	746

Explanation of Movements

Economy & Enterprise

Restructure of team	(2)
Increased external funding	4
	<u>2</u>

Highways & Traffic Management

Restructure of team	(1)
	<u>(1)</u>

Planning, Transportation & Environment

Restructure of team	(4)
School Crossing Patrols externalisation	(10)
	<u>(14)</u>

Services for Communities

Trading Standards - Restructure of team	(5)
Active Devon - Increased external funding	2
Learn Devon - Reduced external funding	(41)
Youth Services - Increased external funding	5
Libraries - Staff transferring to Mutual	(167)
Strategy, Policy and Organisational Change - Commissioner role	1
Strategy, Policy and Organisational Change - Restructure of team	(3)
Public & Community Transport - Transfers in and new posts	12
	<u>(196)</u>

Total	(209)
--------------	--------------

The above figures include staff funded from the capital programme

Analysis of Total Expenditure for 2016/17

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Capital Development and Waste Management	32,382	0	(1,542)	(904)	29,936
Economy and Enterprise	1,771	0	(453)	(4)	1,314
Highways and Traffic Management	34,126	(118)	(1,131)	(558)	32,319
Planning, Transportation and Environment	5,794	(69)	(841)	(23)	4,861
Services For Communities	30,902	(1,136)	(2,227)	(2,035)	25,504
Total	104,975	(1,323)	(6,194)	(3,524)	93,934

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Economy and Enterprise					
LAG - MIL (Making It Local 2)	58	(58)	0	0	0
LAG - REAL Devon	50	(50)	0	0	0
Highways and Traffic Management					
On Street Parking	5,620	(99)	(5,521)	0	0
Planning, Transportation and Environment					
AONB Blackdown Hills	209	(195)	(2)	(12)	0
AONB North Devon	181	(168)	0	(13)	0
Devon Maritime Forum	24	(15)	(4)	(5)	0
Exe Estuary Partnership	26	(17)	0	(9)	0
Other Countryside Projects	73	(72)	0	(1)	0
South West Coast Path Team	104	(104)	0	0	0
Services For Communities					
Active Devon	1,460	(831)	(70)	(559)	0
Learn Devon	3,277	(3,074)	(203)	0	0
Transport Co-Ordination Service	3,281	(1,146)	(2,075)	(60)	0
Total	14,363	(5,829)	(7,875)	(659)	0
Grand total	119,338	(7,152)	(14,069)	(4,183)	93,934

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 2016/17.

Service and Grant title	Funded by	Amount £'000
Economy and Enterprise		
LAG - MIL (Making it Local 2)	RDPE	58
LAG - REAL Devon	RDPE	50
		108
Planning, Transportation and Environment		
Natural Futures	Heritage Lottery	72
Areas of Outstanding Natural Beauty	DEFRA	291
Areas of Outstanding Natural Beauty	Other Local Authorities	72
Environment and Sustainable Travel	Other Local Authorities	86
Maritime and Fisheries projects	Other	15
South West Coast Path & Country Parks	Natural England	104
		640
Highways and Traffic Management		
ExeRail	Other Local Authorities	30
South West Coast Path & Country Parks	Other Local Authorities	45
South West Coast Path & Country Parks	Natural England	142
		217
Services For Communities		
Learn Devon - Community Learning	Skills Funding Agency	1,939
Learn Devon - Adult Skills Budget (inc Apprenticeships / Additional Learning Support)	Skills Funding Agency	892
Learn Devon - 24+ Advanced Learning Loans Facility	Skills Funding Agency	44
Learn Devon - 14-19 EFA Funding	Education Funding Agency	199
Active Devon	Sport England	748
Active Devon	Other	83
Bus Service Operators Grant	Department of Transport	1,146
Trading Standards	Government Grants	100
Various small projects	Other Local Authorities	113
Transport contributions	Other	923
		6,187
Total		7,152

Service Statistics

Service/Activity	Unit of Measurement	2015/16 Adjusted Estimate	Change	2016/17 Estimate
Highway & Traffic Management				
Size of Network	Km	12,900	15	12,915
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.	77,350	402	77,752
Street lights to have been converted to part night lighting	No.	50,000	2,000	52,000
Rights of way	Km	5,000	0	5,000
Strategic road salted after route optimisation	Km	2,664	(193)	2,471
Illuminated road markings and signs	No.	12,000	(200)	11,800
Gullies emptied	No.	130,000	0	130,000
Total grass area cut	m ²	1 million	0	1 million
Surface dressed	Km	195	659	854
Resurfacing / reconstruction	Km	100	(75)	25
Capital Development & Waste Management				
Municipal waste disposal to landfill	Tonnes	46,700	7,600	54,300
Municipal waste recycled (excl. soil & rubble)	Tonnes	208,000	6,000	214,000
Municipal waste recovered	Tonnes	14,000	0	14,000
Exeter Energy from Waste	Tonnes	57,000	3,000	60,000
Plymouth Energy from Waste	Tonnes (approx)	60,000	(6,973)	53,027
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.	60	0	60
County Council development applications	No.	40	0	40
Listed building consent applications	No.	10	(5)	5
Strategic Planning consultations	No.	30	10	40
Pre Application advice	No.	160	(35)	125
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	10	80
Planning application consultations (externally driven by the economy)	No.	12,500	0	12,500
Local Wildlife Sites in positive management	Percentage	69	1	70
Verified historic monument records on Heritage Gateway website	No.	70,235	3,708	73,943
Number of Local Development Frameworks which have successfully progressed through the examination stage	No.	8	2	10
East Devon Traffic Screenline - Average daily no. of vehicles crossing (predicted)	No.	112,000	2,000	114,000
Services for Communities				
Learn Devon - Learner Recruitment	No.	14,600	(4,600)	10,000
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	17	502

Service/Activity	Unit of Measurement	2015/16 Adjusted Estimate	Change	2016/17 Estimate
Public Transport				
Local bus services contracts (*)	No.	140	(18)	122
Bus passenger journeys started in Devon	No.	25.7 million	0.8 million	26.5 million
Train trips within Devon and to/from neighbours	No.	4.5 million	0.1 million	4.6 million
Ring and Ride community transport schemes	No. of schemes	16	0	16
Community car schemes	No. of schemes	0	0	0
Shop mobility schemes	No. of schemes	8	0	8
Community buses	No.	8	1	9
Fare car supported taxi schemes	No. of schemes	10	(4)	6
Trading Standards				
Business premises on Trading Standards database	No.	65,152	630	65,782
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	20,816	(816)	20,000

(*) subject to consultation

This page is left blank intentionally

Capital Development and Waste Management

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Engineering, Design and Built Environments Team					
(516)	Engineering and Design Group	466	(904)	(438)	78
83	Schools Estates Work	83	0	83	0
197	Compliance Surveys - School Buildings	196	0	196	(1)
(236)		745	(904)	(159)	77
Waste Disposal and Recycling					
4,175	Recycling Credits	4,280	0	4,280	105
4,679	Landfill Tax on Disposal	5,613	0	5,613	934
13,092	Disposal of Statutory Waste	15,225	(1,288)	13,937	845
4,624	Recycling Centres	5,070	(3)	5,067	443
251	Waste Minimisation Activities	443	(244)	199	(52)
374	Other Site Related Costs	330	(7)	323	(51)
678	Waste Management	676	0	676	(2)
27,873		31,637	(1,542)	30,095	2,222
27,637		32,382	(2,446)	29,936	2,299

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(1,986)	Customer and Client Receipts	(1,542)
(1,179)	Internal Recharges	(904)
(3,165)		(2,446)

Service Commentary

Capital Development (Engineering Design Group & Built Environments)

The purpose of the service is to deliver County Council's Capital Programme. The Service provides technical engineering consultancy services. The Group is the authority's intelligent client for the procurement of construction contracts and is focussed on driving efficiency and providing a flexible and responsive service to meet the needs of the council.

Waste services

The purpose of the service is to dispose of local authority collected waste. The service supports and enables waste prevention activity, manages waste contracts for recycling, treatment and disposal, provides new waste infrastructure and manages redundant landfill sites. The service works with Waste Collection Authorities to join up waste collection and waste disposal where possible.

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

Analysis of changes:	£'000
Technical and Service changes	
Inflation and National Insurance	487
Price changes from implementation of Energy from Waste plants	63
Waste tonnage growth	1,186
Landfill tax increase	188
Recycling Centres Price Fluctuation mechanism	500
Loss of WEEE income due to a change in the regulations	400
Savings Strategies	
Turnover management and impact of digital changes	(19)
Generating Income from advertising	(10)
Reduction in demand management and waste prevention work	(50)
Reduction in the emergency budget	(50)
Efficiencies in Recycling Centre contracts	(99)
Efficiencies through collaborative working with District Councils	(150)
Contract efficiency savings	(147)
Total	2,299

Economy and Enterprise

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Economy and Industrial Estates					
1,224	Economic Development	1,659	(334)	1,325	101
(5)	Industrial Estates	112	(123)	(11)	(6)
1,219		1,771	(457)	1,314	95

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(168)	Customer and Client Receipts	(453)
(30)	Internal Recharges	(4)
(198)		(457)

Service Commentary

This service leads the County Council's role in supporting and delivering 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 and employment. Key priorities for the service are improving skills attainment and supporting people into work, innovation and business support, 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 delivering significant new revenue and capital projects including Skypark and Exeter Science Park, a Rural Growth Network across Devon and Somerset, Devon Ambassador Programme, Enterprise in Schools grants initiative and the continued development of the existing industrial estates. The Service leads on People Theme activities for the LEP and the Plymouth City Deal and influencing external funding policies, including European, and actively works to draw in additional investment into the County.

Additionally the section is delivering the Superfast Broadband - Connecting Devon and Somerset project. For 2016/17 this means a temporary increase in the budget of £291,000.

Analysis of changes:	£'000
Technical and Service changes	
Inflation and National Insurance	25
BDUK Project increase	291
Technical adjustment - loan guarantee for Exeter Science Park Ltd	(40)
Savings Strategies	
Restructure team, turnover management and digital processes	(111)
Reduction in activity based business support and infrastructure development	(4)
Income generation from contracts	(66)
Total	95

Highways and Traffic Management

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Highway Network Management					
6,155	Highway Network Management	7,321	(1,212)	6,109	(46)
182	Management and Support	422	(213)	209	27
6,337		7,743	(1,425)	6,318	(19)
Highway Maintenance					
895	Retaining Walls and Bridges	742	(8)	734	(161)
3,625	Cyclic Maintenance	4,269	(32)	4,237	612
5,594	Highway Lighting	4,476	(30)	4,446	(1,148)
26	Other Highway Services	159	(133)	26	0
610	Maintenance of Public Rights of Way	651	(26)	625	15
3,464	Routine Maintenance	3,002	(30)	2,972	(492)
7,153	Safety Reaction	6,428	(63)	6,365	(788)
6,814	Winter and Emergencies	6,656	(60)	6,596	(218)
28,181		26,383	(382)	26,001	(2,180)
34,518		34,126	(1,807)	32,319	(2,199)

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(1,398)	Customer and Client Receipts	(1,131)
(112)	Government and EU Grants	(118)
(603)	Internal Recharges	(558)
(2,113)		(1,807)

Service Commentary

The purpose of the Highways and Traffic Management services is to maintain, improve and operate the existing local highway and public rights of way networks. The service is driving efficiency in the way it works, managing demand and enabling community self-help. The service prioritises safety and meeting the travel needs of businesses, communities and individuals.

To cope with reducing budgets, the service adopts asset management principles to identify priority needs and to focus the available funding on reducing whole life maintenance costs, for example by delivering preventative maintenance rather than repairing roads on a worst first basis. The main road network is being maintained in a good condition however, parts of the minor road network are not holding up so well and some minor roads will continue to deteriorate. Such roads will be kept safe by repairing defects in accordance with adopted policy.

The service works in a collaborative way with its contractors, communities and individuals. This should enable Devon to maximise Government capital funding. Service discipline on spending enables the service to respond to in-year changes and pressures due, for example, to extreme weather events.

	£'000
Technical and Service changes	
Inflation and National Insurance	2,096
Savings Strategies	
Income generation from advertising and sponsorship	(55)
Team restructure, turnover management and savings on oncosts	(284)
Redirection of works packages to capital	(924)
Reduction in routine patching work	(370)
Reduced spend on fencing, hedges, trees, incidents, damage and storms	(743)
Policy changes and efficiencies on safety defect and winter work	(1,172)
Street Lighting operational and contract efficiencies	(725)
Public Rights of Way savings through 'self help' scheme	(22)
Total	(2,199)

Planning, Transportation and Environment

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Environment Service					
545	Environment Policy	528	(57)	471	(74)
564	Projects and Partnerships	458	(39)	419	(145)
861	Flood Risk and Surface Water Management	942	(1)	941	80
1,970		1,928	(97)	1,831	(139)
Planning and Transportation					
773	Development Management	1,253	(714)	539	(234)
2,608	Planning and Transportation	2,613	(122)	2,491	(117)
3,381		3,866	(836)	3,030	(351)
5,351		5,794	(933)	4,861	(490)

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(675)	Customer and Client Receipts	(841)
(51)	Internal Recharges	(23)
(39)	Reimbursements	(69)
(765)		(933)

2015/16 £'000	Grants and Contributions Paid	2016/17 £'000
50	AONB (East, South and Tamar)	39
70	Dorset & East Devon World Heritage site (Jurassic Coast)	60
30	Cornwall & West Devon Mining Landscape World Heritage site	25
39	South West Energy & Environment group	20
5	Wembury Centre	4
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 and National Insurance	107
Sustainable Urban Drainage work	85
Savings Strategies	
Team restructure, turnover management and impact of digital processes	(124)
Additional income - new fees, increase in current fees and capital works	(237)
Reduced project and activity budgets	(167)
Revised School Crossing Patrol service	(154)
Total	(490)

Service for Communities

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Information, Heritage and Culture					
745	Heritage Centre and Devon Records Office	687	(11)	676	(69)
234	Arts and Cultural Support	0	0	0	(234)
6,694	Library and Information Service	6,287	(290)	5,997	(697)
7,673		6,974	(301)	6,673	(1,000)
Public and Community Transport					
9,134	National Concessionary Travel Scheme	9,104	(20)	9,084	(50)
4,778	Public Transport Support	4,053	(1,005)	3,048	(1,730)
81	Management Support	1,785	(1,727)	58	(23)
13,993		14,942	(2,752)	12,190	(1,803)
Policy, Performance and Regulatory					
964	Commissioning / Grants	831	0	831	(133)
1,220	Locality / Town and Parish	1,220	0	1,220	0
1,508	Strategy, Policy and Organisational Change	1,642	(181)	1,461	(47)
1,944	Trading Standards	3,154	(1,327)	1,827	(117)
5,636		6,847	(1,508)	5,339	(297)
1,302	Youth Services	2,139	(837)	1,302	0
28,604		30,902	(5,398)	25,504	(3,100)

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(2,610) Customer and Client Receipts	(2,227)
(100) Government and EU Grants	(100)
(2,008) Internal Recharges	(2,035)
(1,206) Reimbursements	(1,036)
(5,924)	(5,398)

2015/16 £'000	2016/17 £'000
Grants and Contributions Paid	
360 Citizens Advice Bureau	360
72 Community Council of Devon	72
189 Councils for Voluntary Services	189
2 Devon's Historic Buildings Trust	0
20 Devon Wheels to Work	3
285 Community bodies	244

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 and National Insurance	485
National Living Wage	106
Funding for bus services previously paid under S106	132
Savings Strategies	
Team restructure, turnover management and impact of digital processes	(440)
Reduction of funding to Heritage Trust	(72)
Reduction of support to the Arts	(234)
Reduced library service costs through externalisation (Cabinet report SC/15/23)	(908)
Reduced Public Transport Support (Cabinet Report SC/15/9)	(781)
Redirection of bus support costs to the On-Street Parking account	(1,184)
Review of output payments to third sector	(137)
Contract and project work reduction and efficiencies	(67)
Total	(3,100)

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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Economy & Enterprise						
Devon and Somerset Superfast Broadband	13,500	1,300	3,500	0	0	0
Devon employment space strategy		70	0	0	0	0
Total		1,370	3,500	0	0	0
Highways, Capital Development & Waste Management						
Highways						
Challenge Fund Street Lighting Improvements	13,156	5,079	3,962	0	0	0
Depot Strategy		300	150	150	0	0
Local Transport Plan (LTP) Maintenance		41,493	40,779	39,005	37,587	36,169
		46,872	44,891	39,155	37,587	36,169
Waste Service						
Ivybridge recycling centre	3,703	44	210	4	0	0
Schools Maintenance and Improvements						
Marland School - Main block improvements	89	71	0	0	0	0
South Tawton Primary School - Replace Blocks	1,207	274	100	0	0	0
Bowhill Primary School - External Refurbishment	141	75	0	0	0	0
Dartington C of E Primary School - Remedial work	6,240	1,600	1,124	0	0	0
Marwood School, Drainage Improvements	195	96	0	0	0	0
Okehampton College - Underground Gas Supply	217	56	0	0	0	0
Sidmouth College - Block 09 - Replace Windows	414	190	0	0	0	0
The Park Community School Sports Hall Improvements	331	250	0	0	0	0
Bishops Tawton Primary - Double Classroom	239	61	0	0	0	0
Cullompton Community College - Fenestrations	498	249	0	0	0	0
Holsworthy Community College - Blk 01 Heat, Blk10 Windows, Roof, Ext, Rewire	728	217	30	0	0	0
Kingsbridge Primary School - Block 04 Replacement	368	285	0	0	0	0
St Leonards Primary School - Blk01 Hot Water, Roof, Blk03 Fan Heaters	261	162	0	0	0	0
The Axe Valley Community College - Refurb. blocks 03 & 13	102	91	0	0	0	0
The Axe Valley Community College - Replace blocks	1,913	692	500	0	0	0
Alphington Primary School - Block 01 - Replace Roof	281	225	56	0	0	0
Ashleigh Primary School - Block 06 New Double Mobile Classroom	300	240	60	0	0	0
Bishops Nympton Primary School - Replace Boiler and Wet Heating System	78	63	15	0	0	0
Cullompton Community College - Renew Boilers and Heating System	210	168	42	0	0	0
Dawlish Community College - Block 01 - Replace Windows, Roof & Hot and Cold Water System	221	177	44	0	0	0
DDA Projects Contingency		200	200	0	0	0
Decoy Primary School - Replace Windows & Roof	60	48	12	0	0	0
King Edward VI Community College - Site Refurbishment and Roof improvements	250	200	50	0	0	0
Marland School - Expansion	3,600	1,000	2,400	199	0	0
Marland School - Renew Heating System & Boiler.	228	183	45	0	0	0
Newton St Cyres Primary School - PSBP Contribution	532	200	300	0	0	0
Pathfield School - Replace Sliding External Doors.	194	156	38	0	0	0
Ratcliffe School - Replace Water Mains	66	53	13	0	0	0
Stoke Hill Junior School - Block 01 - Replace Fluorescen	228	183	45	0	0	0
Tedburn St Mary School - Replace Fenestrations.	51	41	10	0	0	0
Ugborough Primary School - Replace Windows, Fascias & Redecorate	65	52	13	0	0	0
		7,558	5,097	199	0	0

Project	*Total Scheme Approval £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Highways, Capital Development & Waste Management						
Schools Maintenance and Improvements continued						
Whimple Primary School - Replace Windows	52	42	10	0	0	0
MUMIS (contingency)		90	90	0	0	0
Other Schools Maintenance Schemes		1,128	35	0	0	0
Capital Maintenance Contingency		108	210			
Estimated Capital Maintenance Schemes		0	5,500	6,000	6,000	6,000
		1,368	5,845	6,000	6,000	6,000
Total		55,842	56,043	45,358	43,587	42,169
Planning, Transportation & Environment						
Large and Major Schemes - Highways						
A303/A30 Improvements - Design		810	0	0	0	0
A361 North Devon Link Road Improvements - Design		255	95	300	300	0
A361 Portmore to Landkey Stage 1	1,580	307	0	0	0	0
A38 Deep Lane - junction, Phase 1, Northern Side,	3,100	2,280	0	0	0	0
A380 South Devon Link Road	114,997	3,002	2,830	1,420	898	0
A382 - A383 Link Road Design		100	0	0	0	0
A382 Widening, Southern Phase, Newton Abbot	13,000	628	907	4,400	6,765	0
A39 Westaway Plain, Hospital Junction, Barnstaple	1,000	533	0	0	0	0
Blackhorse Lane Link Road (Tithebarn Link Road	6,900	200	0	0	0	0
Blundells Road, Tiverton	1,100	434	0	0	0	0
Bridge Road Widening, Exeter	13,455	2,895	769	0	0	0
Crediton Link Road	8,421	69	8	6	5	0
Growth Deal Infrastructure Preparation and Match		0	50	500	500	0
Roundswell Phase 2 - Barnstaple	2,600	2,150	0	0	0	0
Tiverton Eastern Urban Extension - Design		150	0	0	0	0
		13,813	4,659	6,626	8,468	0
Sustainable Transport						
Around Devon Cycle Route - Ruby Way		42	0	0	0	0
Around Devon cycle route - Teign Estuary		60	216	226	226	0
Cycling - Exe Estuary		300	0	0	0	0
Dawlish Town Centre Link from Exeter Road		631	0	0	0	0
Marsh Barton Station, Exeter	7,400	4,922	0	0	0	0
Okehampton East Station		0	247	0	0	0
		5,955	463	226	226	0
LTP						
Local Transport Plan (LTP) Integrated transport block		3,601	3,601	3,601	3,601	3,601
Environment						
Exeter Flood Alleviation Scheme		1,250	0	0	0	0
Schools Expansion						
Estimated Basic Need		0	16,271	3,742	3,742	3,742
Advanced Design Fees		180	500	0	0	0
Bassetts Farm Primary School - Expansion Ph 2	370	350	0	0	0	0
Bassetts Farm Primary School expansion (Phase 1)	1,325	70	0	0	0	0
Bishopsteignton Primary School - Expansion PAN 30	358	350	0	0	0	0
Cranbrook New Community - Education Campus	1,394	332	500	0	0	0
Digital Free School (West Clyst)	278		278	0	0	0
Energy cost reduction initiative		266	0	0	0	0
Exmouth Community College Accommodation	822	400	0	0	0	0
Gatehouse Primary - Internal Remodelling	143	143	0	0	0	0
Haywards (Crediton) Primary - Expansion to 420	915	80	775	0	0	0
Highweek Primary - Additional Capacity	1,575	1,333	102	0	0	0
Honiton Primary School - Phased Expansion	1,200	200	1,000	0	0	0
Kingsteignton - New Primary School site	1,739		1,518	0	0	0
Landscape Primary (Crediton) - Expansion up to 420	1,300	1,131	29	0	0	0
Loddiswell Primary School - Replacement School	80	30	0	0	0	0
Marpool Primary School - Expansion (Phase 3)	95	75	0	0	0	0
Mill Water Community School - Relocation	9,608	40	0	0	0	0
Newcourt - New school	5,818	624	4,157	0	0	0
Okehampton Primary - Additional Classroom	517	397	100	0	0	0
Proposed new primary Okehampton	1,470	1,455	0	0	0	0
South Molton Infants - Expansion to 420	51	51	0	0	0	0
South Molton Junior - New School site purchase	64	19	0	0	0	0
Total		7,526	25,230	3,742	3,742	3,742

Project	*Total Scheme Approval £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Planning, Transportation & Environment						
Schools Expansion continued						
Southmead Primary (Phase 2)	899	17	0	0	0	0
St Andrews Primary (Cullompton) - Phased Expansion to PAN 60	1,036	96	900	0	0	0
St Johns CofE Primary School - Expansion to PAN 45	30	15	0	0	0	0
St Leonard's C of E Primary expansion (Phase 1)	1,085	32	0	0	0	0
St Leonards Primary School - Expansion	1,253	150	0	0	0	0
Sticklepath Primary School - Expansion	635	370	30	0	0	0
Teignmouth Community School - Expansion	700	200	480	0	0	0
Tiverton High School- Expansion / Arts Centre	40	30	0	0	0	0
Westcliff School - Expansion to 420	51	51	0	0	0	0
Willowbank Primary (Cullompton) - Expansion	442	285	0	0	0	0
Withycombe Primary School, Exmouth - Expansion	1,001	103	885	0	0	0
Other Schools Expansion Schemes		134	0	0	0	0
		1,483	2,295	0	0	0
Total		33,628	36,248	14,195	16,037	7,343
Services For Communities						
Libraries						
Cranbrook Library		0	230	0	0	0
Library modernisation partnership schemes - Bideford	1,580	0	1,280	0	0	0
Library Modernisation Programme		90	0	0	0	0
		90	1,510	0	0	0
Vehicle Equipment Loans Pool (Fleet Management)		946	1,000	1,000	1,000	1,000
Youth service minor capital works		37	37	37	35	0
Investing in Devon						
Countess Wear Community Centre		100	0	0	0	0
Dartmouth Swimming Pool		1,000	0	0	0	0
		1,100	0	0	0	0
Total		2,173	2,547	1,037	1,035	1,000
Total		93,013	98,338	60,590	60,659	50,512
Financed by:						
Borrowing - Unsupported		4,504	7,768	746	573	0
Borrowing - VELP		946	1,000	1,000	1,000	1,000
Capital Receipts - General		3,662	1,282	960	835	0
Capital Receipts - IID		1,202	463	226	226	0
External Funding - Contributions		1,601	1,415	710	330	0
External Funding - Grants		73,195	81,389	56,948	51,195	49,512
External Funding - S106		7,903	5,021	0	6,500	0
Total		93,013	98,338	60,590	60,659	50,512

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2015/16 which may be deferred to 2016/17 owing to changes in project delivery timescales.

Corporate Services

Chief Executive's Commentary

The Corporate Services net budget for 2016/17 totals £33.486 millions, including unavoidable inflationary increases in respect of wage awards, contracts and premises of £1.040 millions.

There are also unavoidable pressures arising from changes in contracted rates for National Insurance and changes in respect of the National Living Wage, at a combined cost of £0.665 millions.

In order to deliver budget targets set by Cabinet, (including changes to meet inflation and commitments), budget reductions of £4.935 millions are required.

Significant budget reductions are therefore necessary, predominantly by way of staffing reductions. This incorporates restructuring of services, revised management structures and other fundamental operational changes. For some services process mapping has helped to engineer change and produce increased efficiencies and reduced costs.

Work on cross-cutting strategies continues also, with increasing property rationalisation, Contractual savings and reductions arising as a result of budget appraisal reductions in People and Place. In terms of the latter, further collaborative work is essential to ensure that strategies are complementary.

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

In addition, we have also sought to increase income wherever possible, utilising increased demand in respect of the Registration Service, and similarly from the educational marketplace by way of the Schools Management Information Service (SCOMIS).

For Public Health, the grant now includes full year funding for the Health Visitor Service, for which commissioning responsibility transferred to the Council from NHS England from October 2015. However, for 2016/17 there is some uncertainty over funding levels for Public Health, with changes in the formulae share anticipated, alongside reductions in the overall level of Public Health funding for local authorities. As such it is likely that this will impact on our ability to fund preventative measures.

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 2016/17.

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 2016/17 Budget has been built up

	2015/16 Adjusted Budget	Changes £'000	2016/17 Outturn Budget £'000
Business Strategy and Support	15,174	(633)	14,541
Chief Executive, Legal and Communications	5,531	(597)	4,934
Human Resources	3,263	(481)	2,782
Public Health	147	0	147
Treasurer's Services	12,601	(1,519)	11,082
Total	36,716	(3,230)	33,486

Reasons for changes in Revenue Budget	Change £'000
Technical and Service Changes	
Inflationary increases	955
National Living Wage	36
National Insurance increases	629
Other pressures	85
	1,705
Savings Requirements	(4,935)
Total	(3,230)

Savings Strategies Analysis	
Staffing reductions	(1,836)
Medical Examiner	(350)
Corporate Maintenance - savings arising from Budget Appraisal	(300)
Property Rationalisation	(123)
Increased income	(1,096)
Contractual savings	(269)
ICT delivery model and Network savings	(150)
Unfunded pensions - increased mortality rate	(652)
Other net savings	(159)
	(4,935)

Staffing Data

	2015/16		2016/17		Total FTEs
	Adjusted Total FTEs	Changes FTEs	Revenue Funded FTEs	Externally Funded FTEs	
Business Strategy and Support	480	(8)	472	0	472
Chief Executive, Legal & Communications	117	(7)	109	1	110
Human Resources	169	(7)	162	0	162
Public Health	31	0	0	31	31
Treasurer's Services *	288	(23)	162	103	265
Total	1,085	(45)	905	135	1,040

Explanation of Movements

Business Strategy & Support

Transfer to People (Business Support)	(1)
New posts approved in 2015/16 (Business support for front-line services, IT project manager)	4
New posts in respect of children's safeguarding	2
Restructuring reductions	(13)
	(8)

Chief Executive, Legal & Communications

New posts approved in 2015/16 (Litigation)	1
Restructuring reductions	(8)
	(7)

Human Resources

Restructuring reductions	(7)
	(7)

Public Health

No change	0
-----------	----------

Treasurer's Services

Restructuring reductions	(23)
	(23)

Total	(45)
--------------	-------------

* Includes Devon Audit Partnership

Analysis of Total Expenditure for 2016/17

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Business Strategy and Support	29,159	(8,808)	(3,427)	(2,383)	14,541
Chief Executive, Legal and Communications	8,076	0	(2,356)	(786)	4,934
Human Resources	16,901	0	(2,882)	(11,237)	2,782
Public Health	29,190	(28,952)	(91)	0	147
Treasurer's Services	19,894	0	(6,514)	(2,298)	11,082
Total	103,220	(37,760)	(15,270)	(16,704)	33,486

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

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Business Strategy and Support					
SCOMIS	3,786	0	(1,933)	(1,853)	0
Treasurer's Services					
Devon Audit Partnership	1,240	0	(1,240)	0	0
Total	5,026	0	(3,173)	(1,853)	0
Grand total	108,246	(37,760)	(18,443)	(18,557)	33,486

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	1,870
Public Health	Department of Health	28,952
Public Mental Health	Better Care Fund	91
Total		37,851

Service Statistics and Other Information

Service/Activity

	Unit of Measurement	2015/16	Change	2016/17
BUSINESS STRATEGY AND SUPPORT				
Property				
DCC owned operational properties (including schools)	No.	665	(67)	598
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	799	(20)	779
High priority backlog of maintenance works	£m	49	0	49
County Farms Estate				
No of Farms	No.	71	(2)	69
Total acreage	Acres	9610	14	9624
IT Infrastructure				
Managed Desktops	No.	7,053	201	7254
Networked Sites	No.	323	(45)	278
User accounts (DCC IT systems)	No.	6,677	(615)	6062
		2013/14 actual	Change	2014/15 actual
CHIEF EXECUTIVE, LEGAL AND COMMUNICATIONS				
Coroners Service				
Caseload	No.	2,880	(31)	2,849
Total inquests opened	No.	318	(17)	301
Natural deaths reported with a Post Mortem	No.	557	(28)	529
Registration Service				
Certificates issued	No.	59,325	3,348	62,673
		2014/15 actual	Change	2015/16 forecast
PUBLIC HEALTH				
Healthchecks offered	Individuals	45,614	9,386	55,000
Healthchecks received	Individuals	20,611	5,389	26,000
Adults referred to weight management services	Individuals	1,134	2,018	3,152
Adults completing weight management programme	Individuals	363	1,928	2,291
	Unit of Measurement	2015/16 estimates	Change	2016/17 estimates
TREASURER'S SERVICES				
Debtors raised p.a.	No.	89,000	(7,000)	82,000
Invoices paid p.a.	No.	457,000	(30,000)	427,000
Proportion paid using BACS	Percentage	95	3	98

Business Strategy and Support

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Business Infrastructure					
831	Customer Services	872	(8)	864	33
(6,810)	Private Finance Initiatives	1,790	(8,808)	(7,018)	(208)
5,325	Business Services and Support	6,024	(385)	5,639	314
2,578	Facilities Management	4,886	(2,323)	2,563	(15)
1,924		13,572	(11,524)	2,048	124
Estates					
468	Estates Corporate	855	(310)	545	77
(293)	Farms	754	(1,072)	(318)	(25)
2,532	Building Maintenance	2,314	(26)	2,288	(244)
2,707		3,923	(1,408)	2,515	(192)
1,275	Procurement	1,641	(375)	1,266	(9)
9,268	ICT	10,023	(1,311)	8,712	(556)
15,174		29,159	(14,618)	14,541	(633)

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(3,390) Customer and Client Receipts	(3,427)
(6,938) Government and EU Grants	(6,938)
(2,668) Internal Recharges	(2,383)
(1,857) Reimbursements	(1,870)
(14,853)	(14,618)

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.

Analysis of changes:	Change £'000
Technical and Service Changes	
Inflationary increases	542
County Farms development review	25
Corporate premises delayed review	60
National living wage (Facilities Management)	36
National Insurance increases	221
Savings requirements	
Staffing reductions	(572)
Corporate Maintenance - savings arising from Budget Appraisal	(300)
Contractual savings (PFI)	(210)
Property Rationalisation initiatives	(157)
County Farms - rental reviews (net savings)	(50)
Facilities Management savings	(40)
SCOMIS - increased growth from educational marketplace	(50)
Savings arising from new IT delivery model	(138)
Total	(633)

Chief Executive, Legal and Communications

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
1,108	Media, Marketing and Communications	1,232	(275)	957	(151)
1,700	Coroners Service	1,365	(12)	1,353	(347)
	Other Services				
210	Corporate Management	277	(64)	213	3
1,778	Cost of Democracy	1,822	(79)	1,743	(35)
130	Local Authority Subscriptions	130	0	130	0
2,118		2,229	(143)	2,086	(32)
956	Legal Services	1,955	(889)	1,066	110
(351)	Registration Service	1,295	(1,823)	(528)	(177)
5,531		8,076	(3,142)	4,934	(597)

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(2,205)	Customer and Client Receipts	(2,356)
(777)	Internal Recharges	(786)
(2,982)		(3,142)

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	77
National Insurance increases	80
Savings requirements	
Staffing reductions	(229)
Medical Examiner	(350)
Increased income	(136)
Contractual savings	(27)
Savings in support & overheads	(12)
Total Chief Executive, Legal and Communications	(597)

Human Resources

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Human Resources					
170	Employee Services	12,766	(12,387)	379	209
1,000	Management and Strategy	678	(34)	644	(356)
731	Performance	805	(79)	726	(5)
1,046	Personnel Services Operations	2,652	(1,619)	1,033	(13)
316	Workforce Development	0	0	0	(316)
3,263		16,901	(14,119)	2,782	(481)

2015/16 £'000	Breakdown of Gross Income	2016/17 £'000
(2,831)	Customer and Client Receipts	(2,882)
(11,318)	Internal Recharges	(11,237)
(14,149)		(14,119)

Service Commentary

Human Resources (HR) provide a comprehensive range of professional services to the Administration, Members, Officers and workforce of Devon County Council together with support to schools and some external bodies provided under separate contracts. 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, and reshaping the HR service to meet the changing demands of the County Council 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	93
National Insurance increases	99
Savings requirements	
Staffing reductions	(568)
Reduced workforce development training programmes	(105)
Total	(481)

Public Health

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Miscellaneous Public Health					
948	Community Safety, Violence Prevention	895	0	895	(53)
819	Other Public Health	620	0	620	(199)
1,093	Support Services	1,093	0	1,093	0
2,860		2,608	0	2,608	(252)
Public Health					
153	Health Protection	101	0	101	(52)
4,513	Mandated 0-5 Children's Services	8,989	0	8,989	4,476
88	National Child Measurement Programme	90	0	90	2
903	NHS Health Check Programme	90	0	90	(813)
437	Obesity	421	0	421	(16)
392	Public Health Advice to NHS	338	0	338	(54)
(26,573)	Public Health Income	0	(28,952)	(28,952)	(2,379)
326	Physical Activity	213	0	213	(113)
595	Public Mental Health	730	(91)	639	44
5,994	Sexual Health	5,933	0	5,933	(61)
2,958	Children 5-19 Public Health Programmes	2,989	0	2,989	31
1,196	Smoking and Tobacco	650	0	650	(546)
6,305	Substance Misuse	6,038	0	6,038	(267)
(2,713)		26,582	(29,043)	(2,461)	252
147		29,190	(29,043)	147	0

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(26,573) Government and EU Grants	(28,952)
0 Reimbursements	(91)
(26,573)	(29,043)

2015/16 £'000	2016/17 £'000
Grants Paid to External Organisations	
10 Exmoor National Park	10
20 Dartmoor National Park	20
50 Devon Rape Crisis	50
70 Exeter Community Initiatives	70
10 Young Devon	10
80 North Devon against Domestic Abuse	80
40 SAFE	40
0 Teignbridge D.C	15

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.

During 2015/16 the responsibility for commissioning Health Visitor services transferred to the Council, under the responsibility of Public Health. These services continue to be provided through the Integrated Children's Services contract that is delivered by Virgin Care Limited.

Public Health	Change
Analysis of changes:	£'000
Technical and Service Changes	
Community Safety - staffing changes	(53)
Other public health - food for life partnership and health at work spend reduced	(199)
Health Protection - staffing changes	(52)
Mandated 0-5 children's services - full year funding	4,476
National Child Measurement Programme - staffing changes	2
NHS Health Check programme - targeted programme only	(813)
Obesity - healthy weight management contract ended	(16)
Public Health Advice to NHS - staffing adjustment	(54)
Physical activity -walking for health programme ending	(113)
Public Mental Health -priority new service for children and young people	44
Sexual Health - increased efficiencies	(61)
Children 5-19 Programmes - staffing changes	31
Smoking and Tobacco - reduced activity in commissioned services	(546)
Substance Misuse - service reduction and new ways of working	(267)
Public health Income	(2,379)
Total	0

The Public Health Budget will have access to £500,000 from a budget that is being held centrally. See Key Table 1 page 12

Treasurer's Services

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
Other Services					
177	Bank Charges	155	0	155	(22)
6,363	Unfunded Pensions	8,483	(3,335)	5,148	(1,215)
106	External Audit	106	0	106	0
6,646		8,744	(3,335)	5,409	(1,237)
Treasurer's Services					
1,613	Client Finance Services, Exchequer and VAT	5,396	(3,530)	1,866	253
915	Corporate Management and Commissioning	1,685	(971)	714	(201)
640	Place Finance Support	795	(264)	531	(109)
2,322	People Finance Support	2,608	(536)	2,072	(250)
465	Strategic Financial Planning	666	(176)	490	25
5,955		11,150	(5,477)	5,673	(282)
12,601		19,894	(8,812)	11,082	(1,519)

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(2,675) 3rd Party Pensions Income	(2,495)
(3,428) Customer and Client Receipts	(4,019)
(1,374) Internal Recharges	(2,298)
<u>(7,477)</u>	<u>(8,812)</u>

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	243
National Insurance increases	229
Savings requirements	
Reduction in Bank charges	(22)
Unfunded pensions - increased mortality rate & other net savings	(652)
Unfunded pensions - other recharges	(840)
Reduced staffing	(477)
Total	(1,519)

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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Business Strategy And Support						
Information and Communications Technology						
Data Classification - digital delivery, open data & mobile public access	600	200	400	0	0	0
Digital Communications & Transactions - to provide a 'Digital by Default' infrastructure	600	200	200	0	0	0
Supporting Infrastructure - key local network switches & equipment to support mobile computing developments	600	200	200	0	0	0
System Strategies - business intelligence infrastructure	600	200	400	0	0	0
User Access & Productivity Tools - mobile technology, devices & implementation of productivity tools	2,300	600	0	0	0	0
		1,400	1,200	0	0	0
County Farms Estate						
Dungeons Farm (Cullompton) NVZ compliant slurry store	205	14	0	0	0	0
Fairfield Farm (Denbury) NVZ compliant slurry store	175	22	0	0	0	0
North Hele Farm (Buckland Brewer) NVZ compliant slurry store	330	85	0	0	0	0
SSAFO compliant slurry stores		900	0	0	0	0
Decent Homes standards and Energy Act		500	0	0	0	0
Thorndon Farm NVZ compliant slurry store	357	143	0	0	0	0
Waterford Farm (Musbury) NVZ compliant slurry store	160	7	0	0	0	0
		1,671	0	0	0	0
Corporate Property Estate						
Barnstaple Accommodation Improvement Programme	1,529	226	0	0	0	0
Compliance (Disability Discrimination Act)		42	0	0	0	0
Energy and Sustainability	980	154	0	0	0	0
Property Enabling Budget		150	150	150	150	150
Strategic Centre Improvement - County Hall renew electrical & power lighting systems	140	0	140	0	0	0
Strategic Centre Improvement - County Hall heating distribution system	225	100	0	0	0	0
Strategic Centre Improvement - County Hall heating plant	812	43	0	0	0	0
		715	290	150	150	150
Total		3,786	1,490	150	150	150
Financed by:						
Borrowing - Unsupported		435	140	0	0	0
Capital Receipts - General		3,351	1,350	150	150	150
Total		3,786	1,490	150	150	150

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2015/16 which may be deferred to 2016/17 owing to changes in project delivery timescales.

Non Service

Commentary

The County Council's budget contains a number of items that are not the responsibility of individual services but which are managed corporately.

The capital financing budget covers the cost of repaying debt incurred in financing capital assets such as land, buildings and equipment. The County Council is obliged to budget for the repayment of a portion of this debt each year. The extent to which debt increases depends upon the level of capital investment and the sources employed to finance it. The capital programme, shown elsewhere in the budget book, details existing investment plans and financing sources.

The interest on balances budget represents the income generated through the management of cash flow and investments. The level of income is dependent on total turnover, the level of reserves held and variations in market interest rates.

The County Council is required to pay levies to the Environment Agency for flood defence and the Devon & Severn Inshore Fisheries & Conservation Authority.

A number of earmarked reserves are operated in order to manage the impact of a variety of issues including meeting specific contingencies and the cost of planned developments. Further detail is provided elsewhere in the budget book.

Mary Davis

For more information on the contents of this section, contact Angie Sinclair, Deputy County Treasurer, 01392 380711 angie.sinclair@devon.gov.uk

Non-Directorate

2015/16 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2016/17 Outturn Budget £'000	2016/17 Net Changes £'000
General Grants					
(433)	Special Education Needs and Disability Grant	0	(488)	(488)	(55)
(1,360)	Business Rates Cap Compensation Grant	0	(1,360)	(1,360)	0
(5,843)	Implementation of Care Act Grant	0	0	0	5,843
(6,420)	Education Services Grant	0	(5,816)	(5,816)	604
(2,820)	Independent Living Fund Grant	0	(2,820)	(2,820)	0
(673)	Local Service Support Grant	0	(340)	(340)	333
(4,264)	New Homes Bonus	0	(5,370)	(5,370)	(1,106)
(308)	New Homes Bonus Adjustment Grant	0	(230)	(230)	78
0	Rural Service Delivery Grant	0	(7,409)	(7,409)	(7,409)
(1,588)	Small Business and Empty Property Rate	0	(1,254)	(1,254)	334
0	Transition Grant	0	(2,823)	(2,823)	(2,823)
(23,709)		0	(27,910)	(27,910)	(4,201)
Other Budgets					
433	Special Education Needs and Disability	488	0	488	55
1,500	Bellwin Scheme Related Emergencies	1,500	0	1,500	0
40	Citizen's Advice Bureaux	40	0	40	0
53,884	Capital Financing Charges	44,261	0	44,261	(9,623)
100	Crossing Patrols	0	0	0	(100)
350	Council Tax Support Partnership	350	0	350	0
2,000	Dartington School	1,390	0	1,390	(610)
7,776	Spending From Reserves	3,798	0	3,798	(3,978)
0	Highways Drainage and Safety Defects	1,000	0	1,000	1,000
5,843	Implementation of Care Act	0	0	0	(5,843)
(939)	Interest on Balances	0	(1,215)	(1,215)	(276)
1,000	Local Welfare Assistance	0	0	0	(1,000)
3,000	New Burdens/Social Care Resilience	5,000	0	5,000	2,000
13,775	PFI Financing Charges	11,731	0	11,731	(2,044)
100	Public Transport	0	0	0	(100)
100	Road Gritting	0	0	0	(100)
250	Revenue Support For Flood Prevention Works	250	0	250	0
0	Transformation	1,000	0	1,000	1,000
89,212		70,808	(1,215)	69,593	(19,619)
Payments Made to Outside Bodies					
421	Environment Agency - Flood Defence	463	0	463	42
330	Inshore Fisheries and Conservation Authority	326	0	326	(4)
751		789	0	789	38
Reserves and Balances					
2,500	Contribution to Transformation Reserve	5,000	0	5,000	2,500
(7,776)	Use of Reserves	(3,798)	0	(3,798)	3,978
(5,276)		1,202	0	1,202	6,478
60,978		72,799	(29,125)	43,674	(17,304)

2015/16 £'000	2016/17 £'000
Breakdown of Gross Income	
(23,709) Government and EU Grants	(27,910)
(939) Interest Received	(1,215)
(24,648)	(29,125)

This page is left blank intentionally

Medium Term Financial Strategy 2016/17 – 2019/20

Introduction

The General Election in May 2015 saw the end of the Conservative Liberal coalition and the election of a new Conservative Government. The new Government has introduced a revised funding methodology for Local Government that moves away from an attempt to assess need and is instead focused on a Councils ability to raise income. New grants, additional council tax raising powers, capital receipts flexibilities along with 100% business rate retention have also been announced.

Much of the change the Government is proposing is yet to be disclosed in detail. The Medium Term Financial Strategy includes as much of the Government intention as we currently know but it may be necessary to produce an in year update to the strategy as more information becomes available.

Key Changes and their impact

Core Funding

The Council's core funding consists of:

- Revenue Support Grant (RSG) – a general grant from Central Government;
- Business Rates Retention Scheme Local Element – 9% of the Business Rates paid by businesses in Devon that is collected by the District and City Councils; and
- Business Rates Retention Scheme Top-Up – 50% of the Business Rates paid by businesses in Devon, along with a Tariff is passed by the District and City Councils to Central Government. Central Government redistribute these sums to authorities based on a Government assessment of need.

The Government has announced the Core Funding that the authority will receive in 2016/17 and provided indicative figures for 2017/18 to 2019/20. It was widely anticipated that the core funding settlement would provide figures for one year only and would be followed by a consultation on changes to grant distribution methodology. This has not happened. Instead the Government has gone ahead with some radical changes to grant distribution.

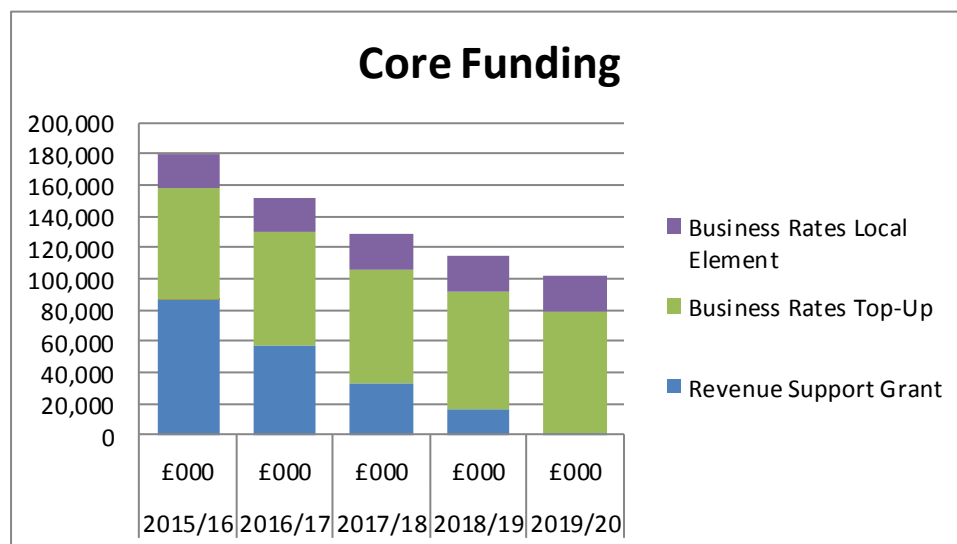
The new funding methodology has introduced a formula that takes account of an authority's Council Tax Requirement in 2015/16 and a Government estimate of its Council Tax Requirement in 2016/17. The formula assumes authorities will increase Council Tax by the maximum allowed (3.99%). Authorities with above average Council Tax Yields receive a greater reduction in Revenue Support Grant.

The impact of this revised grant distribution methodology is that Shire Counties have collectively lost funding in 2016/17 of just over £160.6 millions. Conversely, Metropolitan Districts and Inner London Authorities have gained funding of £92.6 millions and £53.4 millions respectively. Within the allocation to County Councils and Upper Tier Authorities there has been a further re-distribution so that funding has flowed from Councils with a higher tax base to Councils with a lower tax base. It is thought that this is to try to compensate those Authorities dealing with Adult Social Care pressures who would raise less income from a 2% precept outlined below.

For Devon County Council this means that in 2016/17 government funding (core funding) will reduce from £179.8 millions in 2015/16 to £151.6 millions in 2016/17. This is a reduction of £28.2 millions, nearly 15.7%. This is slightly higher than the average reduction for SCT (Society of County Treasurers) member authorities which is 14.6%. In

2016/17 some specific grants have been included in the funding base of £151.6 millions. If these are excluded to give a more accurate, like for like comparison, then the reduction is 17.4% for Devon compared with an average of 16.6% for Shire Counties.

The graph below shows the anticipated level of funding the Council will receive over the medium term:



Revenue Support Grant of just under £87 millions in 2015/16 is anticipated to reduce to just £540,000 by 2019/20. Overall, Core Funding is expected to reduce by 43.1% or just over £77 millions in cash terms by 2019/20. This is a significant reduction on top of the £104 millions reduction in the previous five years to 2015/16.

The Government has indicated that it will provide guaranteed funding levels to local authorities on condition that authorities submit to them efficiency plans covering the period to 2019/20. There is currently no information on exactly what will be required or what the risks and rewards might be of taking up the offer, or not as the case might be.

Rural Services Delivery Grant

The authority has directly, and through the Rural Services Network, long campaigned for fairer funding for rural authorities like Devon. The Government has introduced a new grant, the Rural Services Delivery Grant that will be paid to the top quartile of super-sparse areas of which Devon is one. The grant is un-ringfenced and goes some way in recognising the additional cost of delivering services in rural areas. The table below shows the size of the overall pot and the sum the authority will receive. The grant is very welcome and will help to offset some of the reduction in Core funding outlined above. The grant in 2016/17 increased from £1.8 millions in the provisional settlement (December) to £7.4 millions in the final settlement announced on 8 February and from £3.2 millions to £6.0 millions in 2017/18.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
England	80.5	65.0	50.0	65.0
Devon	7.4	6.0	4.6	6.0

Transition Grant

In response to representations from local government about the unexpected scale of reductions in funding (particularly for rural areas) the Government announced on 8 February that there would be transitional funding. For Devon this amounts to an additional £2.8 million for both 2016/17 and 2017/18.

2% Adult Social Care Precept

New powers have been introduced that allow authorities with Adult Social Care responsibilities to increase Council Tax by 2% each year in addition to the 2% increase permitted before a referendum is required. For Devon this equates to £6.5 millions additional income each year. The sums raised must be ringfenced for Adult Social Care with a certification required by the County Treasurer to Government confirming that this requirement has been complied with.

Improved Better Care Fund

The Government has announced an additional £1.5 billions by 2019/20 to fund an Improved Better Care Fund. The sum will be distributed to authorities with Social Care responsibilities based on a formula that takes into account need and Council Tax raising ability. It is likely that this new funding will bring with it new responsibilities but no further detail is currently available. The table below sets out the total funding for England and the indicative allocation for Devon.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
England	0.0	105.0	825.0	1,500.0
Devon	0.0	0.2	10.2	19.7

100% Business Rates Retention

As anticipated the Spending Review confirms the Government's intention that, by the end of the Parliament, Local Government will retain 100% of Business Rates.

The system of top ups and tariffs which redistributes revenues between local authorities will be retained. The Uniform Business Rate will be abolished and local areas will have new powers to reduce business rates payable to support the local economy.

Elected city-region mayors will be able to add a premium to business rates to pay for new infrastructure provided they have the support of the local business community through a majority of business members of their Local Enterprise Partnership.

The Government's intention is that the reform of Business Rates is fiscally neutral. To achieve this it is proposing that additional responsibilities are transferred to Local Government. Full details are not yet known but the Government's suggestions include Public Health and Attendance Allowance.

Capital Receipts Flexibilities

New financial flexibilities to use the receipts from the sale of land and buildings to help pay for the upfront investment in the transformation of local services have been announced for the financial years 2016/17, 2017/18 and 2018/19. The flexibilities will be limited to capital receipts received over this period and not to any pre-existing capital receipts held in reserve.

New Homes Bonus

The Government has launched a consultation on changes to the New Homes Bonus scheme. The proposals include a reduction in the number of years' worth of New Homes Bonus allocations paid - from six down to four and possibly three or two.

There are also three broad proposals to sharpen the incentive

- setting a baseline and only rewarding growth above it;
- reducing payments when planning permission for a development was only given on appeal; and
- Only making payments when an authority has a published Local Plan.

There are no plans to change the 80:20 split between lower and upper authorities in two-tier areas. The Government has provided indicative figures for the medium term and these have been used in Key Table 5.

Schools and the end of the Education Authority

The government started a process in 2012 to reform the school funding system to make it fairer, more consistent and transparent, so that funding intended for education reaches schools and to ensure that head teachers and governing bodies have more control over spending decisions at a local level.

The government will introduce the first ever national funding formula for schools, high needs and early years in 2017/18. As a low funded authority we are hopeful this will mean more money for Devon children.

The Spending Review and Autumn Statement represents the next step towards the government's goal of ending local authorities' role in running schools and all schools becoming an academy. The timescale for this is not known but it remains Government policy.

Other Grants

Lead Local Flood Authorities grant has been rolled into core funding. For 2015/16 this grant was £227,000. The provisional settlement consultation states that this funding will also be supplemented by a new Section 31 grant to ensure that the funding for lead local flood authorities increases in real terms in each year of the Parliament. The Government is consulting on whether this should be ringfenced for the Spending Review period. There is currently no indication of the scale of this new grant.

The Public Health grant remains ring fenced for 2016/17 and 2017/18. In overall terms we know that Public Health funding for local authorities will be reduced 'delivering average annual real-terms savings of 3.9% over the next 5 years'. However, the value of grant to individual authorities for 2016/17 is not due to be announced until mid-January 2016, and may be affected by changes in the formulae share. At present Devon receives one of the lowest levels of funding across the country, with the value per capita equating to £29 against a national average of £51.

Other Key Issues

Care Act

The Care Act 2014 introduced far reaching changes to how social care is delivered and funded. The Government had originally planned to introduce major financial reform in April 2016, most notably the introduction of a cap on the lifetime cost of care that anyone has to pay. These proposals have been deferred until April 2020. The impact of the cap on care costs is both highly uncertain and long term. Early estimates are that publicly funded social care costs in Devon will rise by around £20m - £25m per annum on maturity of this policy change. This is expected around 2032 on the assumption that the scheme as currently proposed by the Government is introduced in full in 2020.

In the short term, we will face additional costs under the Care Act from additional support to Carers and new duties relating to market sustainability.

Pensions Triennial Valuation

The costs of employer contributions to the Devon Pension Fund for 2016/17 were set at the last actuarial valuation of the fund as at 31 March 2013. However, the next triennial valuation is due as at 31 March 2016, and this will set contribution rates for 2017/18, 2018/19 and 2019/20. The level of future contribution rates, resulting from the 2016 valuation will be dependent upon a number of factors, looking at both the actual experience of the three years since the last valuation and the actuary's assumptions for the future. These factors include investment returns, the level of pension increases, pay inflation, and the life expectancy of the Fund's current and future pensioners. The actuary will also look at the length of the deficit recovery period. The last three years have seen low levels of inflation, which has kept pension and pay increases down, which will help. The years 2013/14 and 2014/15 saw cumulative investment returns above the actuary's assumed rates, however the returns for 2015/16 to date have been negative, as markets have fallen. Life expectancy continues to increase, which will increase future liabilities.

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 £419.72 per head of population whilst their rural counterparts receive only £288.83; a difference of £130.89. This gap will widen further over the next four years. Devon's reduction in core funding over the next four years is 11.4% greater than the average for England. By 2019/20 Devon is expected to receive £20 millions less in core funding than if the reductions had been applied equally across urban and rural areas.

As outlined above the Government has recognised this inequality and has introduced additional funding for sparsely populated areas. For 2016/17 Devon County Council will receive an additional £9.66 per head of population and by 2019/20 this grant is forecast to be £6 millions for Devon, which although welcome is not sufficient to address fully the inequality of the disproportionate reductions for rural areas.

The Government has responded to representations from local government to provide transitional funding to help offset the significant reductions in funding. For Devon this amounts to £2.8 millions in 2016/17 and 2017/18.

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 £25 millions per annum.

For 2016/17, the grant per pupil received by Devon will be £4,345.73, compared to £4,632.42 nationally.

It is expected that 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. However in 2015/16 the Government applied an in year reduction of 6.2% across all local authorities with responsibilities for public health including Devon, irrespective of whether local authorities were funded above or below the average. Before the in-year reduction, Devon's public health grant had been equivalent to £29 per head of population compared to a national average of £51.

Challenges ahead - Devon Responds

Savings & Efficiencies Required

Over the five years since the spending review in 2010 the authority has made savings in its service budgets of almost £174 million. The package of measures now being introduced by the Government will require more savings to be made albeit at a reducing annual amount through the medium term. The table below sets out the savings that will be required each year based on the indicative funding levels announced by the Government. These figures do not take account of the proposed changes to the retention of Business Rates as there is insufficient information to allow any meaningful modelling to be undertaken.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Savings Required	34,317	12,538	27,887	12,127
Savings identified	34,317	7,119	6,048	2,484
Savings to be found	0	5,419	21,839	9,643

The savings required figure of £5.4 millions in 2017/18 is net of a proposed transfer from the Budget Management Reserve of £11.6 millions. This sum is due to be set aside for this purpose in 2015/16 from the changes to the MRP Policy outlined below.

Key Table 5 on page 17 sets out the Budget for 2016/17 and the projections to 2019/20. Key Table 4 on page 15 sets out the anticipated specific grants from 2016/17 to 2019/20.

Minimum Revenue Provision (MRP)

The authority is proposing to change its MRP Policy for both 2015/16 and 2016/17. The Policy is set annually as part of the budget setting process but regulations allow the Policy to be changed in year. The Policy previously set by County Council was to charge MRP on all pre 2008 debt on a 4% reducing balance basis. This will change in year (2015/16) and in 2016/17 to a 2% straight line basis. Full details of the change are contained within the Prudential Indicators and Treasury Management section on page 109. The table below sets out the savings this change in policy will achieve over the medium term.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
MRP Policy Change	9,513	8,752	8,021	7,320	6,647
PFI MRP Policy Change	2,066	2,154	2,632	2,396	1,972
Total Saving	11,579	10,906	10,653	9,716	8,619

Council Tax

The Tax Base for 2016/17 has increased by 1.7% 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 2016/17 is £6.324 millions compared to £4.149 millions for 2015/16. Unlike the tax base increase this additional income is a one off windfall and does not form part of future funding.

The indicative funding figures provided by the Government are predicated on a Council Tax increase of just under 4% for each year of the next four years.

New Approach to Identify Savings and Efficiencies

The Council has recently embarked upon a radical programme to reframe the organisation around purpose(s) rather than functional hierarchies. This means gaining an even better and more detailed understanding of citizen demand and what matters to our citizens and communities, and shaping our organisation and activity to help meet this. The purpose(s) that will evolve out of this work will be derived from what matters to our citizens and communities and will help us to only focus on that which adds value to those outcomes and purposes. The opportunity for improvement in service, revenue and morale - along with a reduction in costs - across an organisation moving to this kind of systemic model are significant. However, achieving this is challenging and will involve the organisation questioning some of the assumptions and principles that have underpinned the design and activity in the Council up until now, and rethinking how services are designed, managed and improved in the future.

Working in Partnership

The Council continues to work with a range of strategic partners to develop new ways of working, improve delivery for people across Devon and where possible to create efficiencies and savings. An example of this is the emerging and ambitious work around the Integrated Care for Exeter work involving over twenty partners. Plans to develop new routes to hospital discharge, work around homelessness, targeting activity in the system through risk stratification and developing a new infrastructure for co-ordinating care and developing a community response, are well in train. Through early piloting, better outcomes and potential efficiencies are already being identified.

Alongside the development of new and existing partnerships with statutory agencies we will continue to work closely with the voluntary and community sector particularly where this creates additional capacity and resilience within communities and could help to divert or delay costly demand on some services through more local and appropriate interventions.

We will work with local partners to explore new or alternative funding opportunities available as appropriate, such as social finance, and learn from partners who are making progress in these areas.

The Better Care Fund

The Better Care Fund enables the local authority and clinical commissioning groups (CCGs) to pool budgets and agree an integrated spending plan that focuses on people centred solutions. The Devon pooled budget currently amounts to £59.7m and is hosted by the Council.

The new arrangement commenced in April 2015, and the Council along with its CCG partners is committed to further integration of budgets where this achieves better outcomes and has the scope to deliver efficiency savings for the local health and social care economy. Better Care Fund Partners are likely to consider proposals in 2016/17 for enlarging the scope of pooled arrangements to commence operationally from April 2017 or "in year" 2016/17 if this can be agreed. We are also working with health partners to reduce additional administration around the Better Care Fund to ensure it is proportionate whilst maintaining a strong governance and risk management framework.

Devolution

The authority has entered into a partnership with Somerset County Council; Torbay Council; Plymouth City Council; thirteen Devon and Somerset District Councils; the Heart of the South West Local Enterprise Partnership; the three Clinical Commissioning Groups and the two National Parks and has approached Government to negotiate a devolution deal for the Heart of the South West area.

The partnership believe the Heart of the South West could achieve its economic potential and deliver greater prosperity if Government passed down a range of powers and funding streams to local decision makers. This is a long term project that will focus on a range of asks to Government around infrastructure, health and care system reforms, skills and employment, business growth and innovation that will, through a new strategic investment framework, lead to a significant uplift in the prosperity and wellbeing of the area.

Reserves & Balances

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 authority holds three types of Reserves:

- Statutory Reserves – these are regulated by statute and can only be spent on specified items and include Public Health and On Street Parking;
- Emergency Reserves – to cover weather emergencies, budget risks and business rate pooling risks; and
- Service Transformation – to cover the cost of transforming our services, including redundancy costs.

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 22nd lowest out of 27 County Councils. Ongoing budgetary constraints limit the authority's ability to contribute anything other than modest sums to the reserves. The table below shows the anticipated level of reserves in future years:

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Projected Year End Balance	52,034	53,236	40,926	41,825	44,950

The balance of £52 millions shown for the end of 2015/16 includes £11.6 millions achieved by changing the MRP policy. This sum has been set aside to help to reduce the level of savings required in 2017/18 when the greatest level of savings would, otherwise, be required. The balance of just under £41 millions shown for 2017/18 is after this set aside sum has been applied.

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.6 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.

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. The development, management and monitoring of the programme uses prudential indicators to assess the revenue costs of the Capital Programme and ensure that they are prudent, affordable, and sustainable in accordance with the Prudential Code.

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 sources for the programme is shown on page 21.

Since 2009 the Council has followed a policy of taking out no new external borrowing and repaying debt whenever this can be undertaken without incurring a financial penalty. The Capital Programme has been significant during this period with further substantial investment within the County planned but 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 with the Council's external borrowing level having 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 2015/16.

As set out above and in the Treasury Management Strategy the Council has changed its Minimum Revenue Provision Policy which will mean that the authority will have a lower level of internal cash resources. The Council has also seen an increase in the amount of internal cash required to forward fund schemes in advance of receipt of section 106 and CIL monies. A consequence of increased forward funding and a change in MRP Policy will have an impact upon the future shape of the capital programme as there will be less flexibility to add new schemes to the plan other than those funded from government grant or external contributions.

In 2015/16 the Council approved a programme of New Starts which were identified as high priority. These were funded from Corporate Capital Receipts. Due to the constraints identified above only one New Start in 2016/17 has been recommended and is outlined on page 88.

The Council has in place a robust programme of reviewing its estate with the objective of generating Capital Receipts. Due to the policy not to undertake any new borrowing this funding source enables the authority 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 strategy presents an element of risk. If the required level of receipts is 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 few 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 overall level of debt for capital financing and the impact on the revenue account is shown in Table 6 page 112.

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.

Risk Management

The Financial Strategy 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 on pages 133 to 144.

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, service 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 £1billion per annum.

Conclusion

The Settlement announcement has heralded a fundamental change to how future local services are to be funded and a turnaround on the previous Government policy of discouraging Council Tax rises. The Council broadly welcomes business rate retention, a four year indicative budget and the recognition of increasing social care costs through the new precept, although it will cover only part and not all of the growing bill for adult social care.

The new funding methodology is a transition to greater financial self- sufficiency for Local Authorities. But it is difficult to know whether it will lead to a tax-base that is sustainable in the long-term. If this current policy holds, then in the not too distant future local public services will be reliant on a combination of residential and business property taxes. Although property taxes are relatively easy to collect, they bear little or no relationship to the demand for services or the desire for improved standards. Going forward, councils may need a range of income sources to fund services that more closely link to the Community's requirements and reduces a Council's exposure to local downturns.

We will need more detail before it is possible to say how Devon will fare in this brave new world but the flexibility and innovation that we have shown in coping with the rigours of austerity should stand us in good stead.

This page is left blank intentionally

County Fund Balance and Earmarked Reserves 2016/17

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 2016 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 2016/17. 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 is included in Table 1 below

Current budget monitoring indicates that for 2015/16 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 outlined on pages 133 to 144. 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
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	
People					
Child Social Work and Child Protection	5,335	6,097	6,860	6,860	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	3,751	3,751	3,751	3,751	
Adult Care Commissioning	314	314	314	314	
Education and Learning	1,257	1,257	1,257	1,257	
Place					
Highways and Traffic Management	646	646	646	646	All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.
Planning Transportation & Environment	49	49	49	49	
Economy, Enterprise and Communities	536	536	536	536	
Capital Development & Waste Management	599	599	599	599	
Corporate Services					
Central Services	335	335	335	335	
Capital Financing Charges	0	0	0	0	
Investment Income	0	0	0	0	
Total	12,821	13,583	14,345	14,345	

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 has provided a net underspend 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.

As outlined within the Medium Term Financial Strategy and the Treasury Management Strategy the authority intends to change its Minimum Revenue Provision Policy; this change will generate a saving of £11.6 million on the capital financing budget in 2015/16. Provided the overall outturn is within budget the authority intends to transfer this underspend to the Budget Management Reserve. This sum will be set aside to help to reduce the level of savings required in 2017/18 when the greatest level of savings would, otherwise, be required

Dealing with risks and emergencies

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.6 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 £14.6 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	Estimated balance as at				
	31.3.16	31.3.17	31.3.18	31.3.19	31.3.20
	£'000	£'000	£'000	£'000	£'000
Special Purpose Reserves					
Affordable Housing	339	239	139	39	
On Street Parking	3,597	2,761	1,925	1,089	253
Public Health	172				
Subtotal: Special Purpose Reserves	4,108	3,000	2,064	1,128	253
Specific Contingency Reserves					
Budget Management	23,130	23,130	11,530	11,530	11,530
Business Rate Risk Management	2,034	2,034	2,034	2,034	2,034
Emergency	15,000	15,000	15,000	15,000	15,000
Service Transformation	7,762	10,072	10,298	12,133	16,133
Subtotal: Specific Contingency Reserve	47,926	50,236	38,862	40,697	44,697
Total Earmarked Revenue Reserves	52,034	53,236	40,926	41,825	44,950

Details of Individual Reserves Held 2016/17

Purpose & Description of Reserve	Approval to Use of Reserve	Management & Control	Proposed Balance as at 31.03.16 £'000	Forecast Expenditure 2016/17 £'000	Forecast Income 2016/17 £'000	Proposed Balance as at 31.03.17 £'000
EARMARKED RESERVES - Special Purpose Reserves						
Affordable Housing						
To promote joint schemes with District Council and other partners to improve public services.	Cabinet	County Treasurer	339	100		239
On Street Parking						
To fund transportation improvements and initiatives	Cabinet	County Treasurer	3,597	836		2,761
Public Health						
Ringfenced for Public Health expenditure	Cabinet	County Treasurer	172	172		0
Subtotal: Special Purpose Reserves			4,108	1,108	0	3,000
EARMARKED RESERVES - Specific Contingency Reserve						
Budget Management						
To fund future budget pressures	Cabinet	County Treasurer	23,130			23,130
Business Rate Risk Management						
To fund future losses on the Devon Business Rates Pool	Cabinet	County Treasurer	2,034			2,034
Emergency						
To manage exceptional unforeseen costs, uncertainties and emergencies	Cabinet	County Treasurer	15,000			15,000
Service Transformation						
To manage costs of remodelling and reducing services	Cabinet	County Treasurer	7,762	2,690	5,000	10,072
Subtotal: Specific Contingency Reserve			47,926	2,690	5,000	50,236
TOTAL EARMARKED RESERVES			52,034	3,798	5,000	53,236

Treasury Management Strategy 2016/17 – 2018/19 and Prudential Indicators 2016/17 - 2020/21

The Treasury Management Strategy sets out the County Council's policies in relation to: the management of the Council's cashflows, its banking, money market and capital market transactions; borrowing and investment strategies; monitoring of the level of debt and funding of the capital programme.

The County Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Services. This is one of the Prudential Indicators required by the Code. The current Code of Practice was published by CIPFA in November 2011, and requires the Council to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). These policies have been reviewed for 2016/17 and revised TMPs have been submitted for approval.

The County Council is required to monitor its overall level of debt in line with the national code of practice drawn up by CIPFA. 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 2016/17 – 2020/21.

This Treasury Management Strategy document sets out:

- Minimum revenue provision;
- Capital expenditure funding;
- Prudential indicators on the impact of capital financing and monitoring of the level and make-up of debt;
- The current treasury position, debt and investments;
- Prospects for interest rates;
- The borrowing strategy; and
- The investment strategy.

Minimum Revenue Provision

From 2009/10 the MRP strategy has been calculated on varying bases. Supported capital expenditure and unsupported borrowing up to 1 April 2008 has been 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 has been charged based on the period of benefit of the capital investment (over the asset life).

For 2015/16 and 2016/17 the authority's MRP strategy will be consistent with all elements, both pre 1 April 2008 and post 1 April 2008, being charged based on the period of benefit of the capital investment. All supported capital expenditure and unsupported borrowing up to 1st April 2008 will cease to be by the Capital Finance Requirement method (4% reducing balance) and will instead be charged on the period of benefit of the capital investment (on a 2% straight line basis). There will be no change to the policy relating to Unsupported borrowing post 1 April 2008 (including Vehicle and

Equipment Loans Pool), Capitalisation Direction and charges to other public sector bodies.

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.

Capital financing costs are also affected by PFI contracts and finance leases coming 'on Balance Sheet'. In the past the MRP relating to these contracts has been charged based on the contract term, for 2015/16 and 2016/17 this will change and be brought in-line with the authority's main MRP Policy and be charged over the period of benefit of the capital investment, being the asset life.

The main Prudential Indicator to measure the acceptable level of borrowing remains the ratio of financing costs to total revenue stream. The figures for MRP shown in table 6 reflect the adoption of this strategy.

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.

Table 1 – Capital Expenditure

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Total Capital programme	107,628	109,200	70,007	63,096	52,946
Funded by:					
Gross borrowing	6,335	10,876	8,066	1,723	1,150
Other capital resources	101,292	98,325	61,941	61,373	51,796
Total capital programme funding	107,628	109,200	70,007	63,096	52,946
<i>Capital expenditure treated as a long-term liability</i>	0	0	0	0	0
Total capital expenditure	107,628	109,200	70,007	63,096	52,946

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 Capital Financing Requirement and debt limits will be higher than the Council's external debt, as they will be partly met by internal borrowing from the Council's internal cash resources. This reduces the cost of the required borrowing, but the Council also needs to ensure that a prudent level of cash is retained.

The forecast Capital Finance Requirement for 2016/17 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Underlying borrowing requirement	625,243	618,467	608,759	593,103	571,737
Other long-term liabilities	143,616	138,946	133,717	128,637	123,888
Capital financing requirement	768,859	757,413	742,476	721,740	695,625

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 2016/17 – 2020/21.

Table 3 – Authorised Limits

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Authorised limits for borrowing	695,243	688,467	678,759	663,103	641,737
Authorised limit for other long-term liabilities	143,616	138,946	133,717	128,637	123,888
Authorised limit for external debt	838,859	827,413	812,476	791,740	765,625

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 2016/17 and following years.

Table 4 - Operational Limits

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Operational limits for borrowing	670,243	663,467	653,759	638,103	616,737
Operational limit for other long-term liabilities	143,616	138,946	133,717	128,637	123,888
Operational limit for external debt	813,859	802,413	787,476	766,740	740,625

The forecast opening balance for External Borrowing at 1 April 2016 is £507.85 million and remains unchanged at 31 March 2017.

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. The level of under borrowing reflects the use of internal borrowing from the Council's internal cash resources.

Table 5 – Underlying Borrowing Requirement to Gross Debt

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Capital financing requirement	768,859	757,413	742,476	721,740	695,625
Gross borrowing and other long-term liabilities	655,065	651,467	646,796	641,567	636,487
Under/ (over) borrowing	113,794	105,947	95,680	80,173	59,138

The debt management strategy and borrowing limits for the period 2016/17 to 2020/21 have been set to ensure that over the medium term net borrowing will only be for capital purposes.

Ratio of Financing Cost to Net Revenue Stream

Table 6 below shows the relationship between Capital Financing Costs and the Net Revenue Stream for 2016/17 and future years. Financing cost is affected by Minimum Revenue Provision (MRP), interest receivable and payable and reductions in other long term liabilities.

Table 6 – Ratio of Financing Costs to Net Revenue Stream

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Minimum revenue provision	20,021	17,032	17,464	17,069	21,516
Interest payable	26,023	26,023	26,023	26,023	26,023
Recharges and other adjustments	(1,783)	(769)	(878)	(960)	(5,773)
Capital financing costs	44,261	42,286	42,609	42,132	41,766
Interest receivable	(1,215)	(1,615)	(1,990)	(1,990)	(1,990)
Capital financing cost (excluding other long-term liabilities)	43,046	40,671	40,619	40,142	39,776
Capital financing costs of other long-term liabilities	15,745	15,930	15,362	14,625	14,901
Capital financing costs including other long-term liabilities	58,791	56,601	55,981	54,767	54,677
Estimated net revenue stream	492,922	493,232	510,223	497,163	497,163
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	8.73%	8.25%	7.96%	8.07%	8.00%
Ratio of financing costs (including other long-term liabilities) to net revenue stream	11.93%	11.48%	10.97%	11.02%	11.00%

Incremental Impact on Council Tax

The incremental impact on Council Tax of the investment decisions made in setting the 2016/17 Capital Programme is shown in table 7.

Table 7 – Impact on Council Tax

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Incremental impact on band D council tax payers of investment decisions funded by borrowing	(0.27)	(1.30)	(0.87)	0.03	0.11
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 2016/17 MTCP	(0.27)	(1.30)	(0.87)	0.03	0.11

Treasury Management Prudential Indicators

Where external borrowing is required it can either be at fixed or variable rates of interest, and can be taken out for periods from a year to 50 years. The use of prudential indicators seeks 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 2016/17 and beyond are set out in Table 8 below:

Table 8 – 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 35 years	60	0
35 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.

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.

Analysis of Long Term Debt

The following Table 9 shows the County Council's fixed and variable rate debt as at 31 March 2015 and 31 December 2015 (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 9 – Analysis of Long Term Debt

	Actual 31.03.15 £'m	Interest Rate %	Current 31.12.16 £'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 2015 and as at 31 December 2015 (current).

Table 10 – Schedule of Investments

		Actual 31.03.15 *	Interest Rate	Current 31.12.15 *	Interest Rate
	Maturing in:	£'m	%	£'m	%
Bank and Building Society Deposits					
Fixed Rates					
Term Deposits	< 365 days	50.00	0.84	65.00	0.79
	365 days & >	0.00		0.00	
Callable Deposits					
Variable Rate					
Call & Notice Accounts		80.76	0.59	60.25	0.63
Money Market Funds (MMFs)		0.00			
Property Fund		0.00		10.00	4.72
All Investments		130.76	0.69	135.25	1.01

*

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 down to around £125m (£110m excluding Growing Places Fund money).

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 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 influenced by 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 similar measures have been taken in the Eurozone by the European Central Bank. The introduction of new regulations requiring banks to hold a higher cash buffer has also had the effect of reducing the rates on offer.

*The figures as at 31 March 2015 and 31 December 2015 include respectively around £15.9m and £14.8m 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.

A rise in the Bank of England Base Rate is thought likely during 2016, as a result of the improving economy, and the potential for stronger wage growth and higher inflation. However, the forecast date for an increase has continued to be pushed back and most commentators are now not expecting a rise in the interest rate until the middle of 2016 or later. Capita, who provide a treasury advisory service to Devon County Council, has also amended its forecast and has pushed back its forecast for the first rise to June 2016.

The following Table 11 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 2016, 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 11 – Base Rate Forecasts and PWLB Rates

	Dec (act) 2015	March 2016	June 2016	Sep 2016	Dec 2016	March 2017
Base Rate						
Capita	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%
Legal & General Investment Management	0.50%	0.50%	-	-	1.00%	-
Bloomberg L.P. - Survey of Market Participants (median value)	0.50%	0.50%	-	-	1.00%	-

	Dec (act) 2015	March 2016	June 2016	Sep 2016	Dec 2016	March 2017
PWLB Rates						
Capita forecast						
10 Year	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
25 Year	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%
50 Year	3.50%	3.60%	3.70%	3.80%	3.90%	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 2016/17 – 2018/19

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 £52.5m in 2015/16.

The strategy was reviewed in 2014, in recognition of the need to invest in capital and the low level of interest rates. The review resulted in a programme of new starts funded by capital receipts but reaffirmed the policy of taking out no new external borrowing. There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its revenue 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 2016 the Council will have cash balances of around £110m. 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 0.5%.

Investment Strategy 2016/17 – 2018/19

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, money market funds and Non-Eurozone overseas banks in highly rated countries are being used, subject to strict criteria and the prudent management of deposits with them. In addition the CCLA (Churches, Charities and Local Authorities) Property Fund is being used. 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.

The outlook for cash investment remains challenging. Whereas in the past there has been a perception that Governments would not allow banks to fail, the new regulatory environment is putting more emphasis on the requirement for investors to take a hit by funding a "bail-in". A bail-in is where the bank's creditors, including local authorities depositing money with them, bear some of the burden by having part of the debt they are owed written off. The balance of risk is therefore changing, and as a result the Council has considered alternative forms of investment in order to diversify its risk.

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. 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 has considered these alternatives and has concluded that investment in a commercial property fund would be a prudent way to diversify risk and achieve a higher yield. UK Gilts and corporate bond funds could still face a challenging environment, whereas the commercial property market stands to benefit from forecast growth in GDP of in excess of 2% per annum over the next few years. The CCLA Property Fund has therefore been added as an approved counterparty.

The majority of the Council's investments will still be in bank deposits. 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. Where the counterparty is only rated by two of the major ratings agencies the lowest rating published by either of the two is used. 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 have a portfolio comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments. Following the financial crisis these funds were seen as higher risk and were therefore not used by the Council. However, the new regulatory environment around the concept of "bail-in" means that many money market funds are now regarded as a more secure form of investment than bank deposits, as they diversify their investments across a range of financial institutions to spread the risk, and will therefore be used where appropriate. Money market funds must have an 'AAA' rating to be included on the counterparty list.

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 12 below summarises the current 'Approved List' criteria.

Table 12 – Counterparty Approved List Summary

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limi
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	£30 million
CCLA Property Fund				£30 million

Where the short term rating of a counterparty is one notch below the stated criteria, but the counterparty meets the long term rating criteria, they may still be used subject to the advice of our external advisors (Capita) who will take into account a range of other metrics in arriving at their advice.

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 2016/17 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.65% p.a. and the yield from investment in the CCLA Property Fund will be 4.50%. 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 for 2016/17 is thought to be one that is achievable.

Interest rates are forecast to increase, but the speed of increase and the impact on the rates offered by the banks are less clear. MTFs forecasts have been based on average rates for lending to banks and building societies of 1.00% for 2017/18 and 1.25% for 2018/19. However these will be reviewed in the light of changes to the Bank of England's base rate and the extent to which any increases filter through to the rates on offer from the Council's counterparties.

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.

Treasury Management Code of Practice

The County Council will create and maintain, as cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The County Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

The County Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the County Treasurer, who will act in accordance with the County Council's policy statement and TMPs and if he/she is a CIPFA member, CIPFA's Standard of professional Practice on Treasury Management.

The County Council nominates the Corporate Services Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury Management Policy

The Council defines its treasury management activities as: The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance within those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Treasury Management Practices (TMPs) will be applied to ensure that this Policy is delivered. The Council will through the use of these practices ensure that security and liquidity are prioritised ahead of yield within the defined risk framework.

Treasury Management Practices

Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

TMP1 Treasury Risk Management

The County Treasurer will ensure the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk. She will report at least annually on their adequacy and suitability, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements, which seek to ensure compliance with these objectives, are set out.

Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business and service objectives.

The daily cash flow is managed by officers in order to 'smooth' the flow of funds into and out of the Council, ensuring best returns on surplus funds, whilst minimising borrowing costs on days where there is a shortage. Borrowing and lending is generally undertaken in periods of under one month to ensure as far as is possible that on no one day should there be a requirement to have to fund shortages in excess of £1 million. Days when it is known that large outflows of money will take place e.g. payroll dates, are obvious dates to ensure there is sufficient liquidity.

Balances that are identified as not being for immediate use, say within the next few months, may be invested for longer periods.

Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or achieving its interest revenues, as set out in the Revenue Budget.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

The level of exposure to Interest Rate Risk depends on the balance of fixed to variable monies. Here the risk is twofold. Being locked in to fixed funding when rates are falling, or failing to take advantage at a time when rates are perceived as low, or are forecast to rise; conversely, being locked into investments when rates are rising, and being unable to take advantage of this situation.

The Council has had, for a number of years, the policy of borrowing the fixed rate long-term element of its loans portfolio with loans from the Public Works Loan Board (PWLb) or the Money Market. This policy is reassessed annually as part of the adoption of the Treasury Policy Statement.

Interest Rate Risk is not increased by this policy as it is still possible to manage by switching existing loans from fixed to variable or vice versa, or re-scheduling existing debt, i.e. repaying existing debt, and re-borrowing over a shorter, or perhaps longer period. However, the existing arrangements operated by the Board of different rates for

repaying loans as to those applied to new advances, mean that such changes are often uneconomic. Regard must always be had of the potential costs of any re-scheduling, as often they will attract a premium payable to the lender. This point is also referred to later under 'Re-financing Risk.'

Market Loans, usually in the form of Lender's Option Borrower's Option (LOBOs), offer an alternative to borrowing from the PWLB. Here money is borrowed for an initial period against the issue of a Bond, and gives the Lender the Option of varying the rate at the end of the period. If this Option is taken, the Council as Borrower can in turn agree to the new rate, or repay the loan without penalty. The flexibility offered by such loans can be a great help in managing this type of risk. The lender, who has the choice to (or not to) exercise the first option, has to be seen as having the greater control of the arrangement.

On the investment side, the use of Call Accounts, Notice Money, Money Market Funds, and Callable Deposits all introduce a degree of flexibility not offered by fixed term investments.

The CIPFA Code requires that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs. Derivatives are securities whose price is dependent upon or derived from one or more underlying assets, the most common being stocks, bonds, commodities, currencies, interest rates and market indexes. They can be used to hedge (provide insurance) against risk or for speculative purposes; however it is the Council's policy not to use derivatives in its treasury management activities.

Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, Council approval of any policy or budgetary implications.

The risk from fluctuating exchange rates is not material as far as the Council is concerned, as there is currently very little of either income or expenditure transacted in currencies other than Sterling.

Inflation risk management

The effects of varying levels of inflation will be considered by the Council as an integral part of its strategy for managing its overall exposure to risk.

During the current period of low and stable inflation, there is little requirement for active consideration of its impact. The key objectives are that investments reap the highest real rate of return, with debt costing the lowest real cost. Should this change, projections of inflation will become part of the debt and investment decision-making criteria, both strategic and operational.

Credit and counterparty risk management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 'Approved Instruments, methods and techniques'. It also recognises the need to have, and maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.

The County Council's arrangements have been formulated to restrict the exposure to risk by taking account of the credit standing of counterparties, and setting limits to different types of borrowers.

The credit ratings of all three major rating agencies (Fitch, Moody's and Standard & Poor's) will be used to ensure that commercial institutions satisfy the requirements of the current policy. In essence the County looks for the highest rating from banks and sets lending limits against each one. Banks and UK Building Societies that do not attract these ratings are not considered at all. The actual ratings sought by the Council may be varied as part of the regular review of lending policy and counterparties.

Lending to other Local Authorities, and Public Bodies is allowed, with differing credit limits according to the type of institution.

The List of Approved Counterparties is kept under close review and is subject to amendment in the light of changes to credit ratings, takeovers and mergers, or changes to the type of institution.

Approved institutions are placed on the lending list, deposits may not be made to any institution, which does not conform to the requirements of the Lending List, nor is any transaction allowed to be entered into through any money broker not featuring on the approved list. The financial press and other sources are monitored with a view to discovering cases where an institution on the List is in any difficulty, financial or otherwise. If appropriate, any organisation will be immediately suspended from the list until such time that they demonstrate their creditworthiness. The decision to suspend a counterparty is made by the Assistant County Treasurer (Investments and Treasury Management), and notified to other officers by the issue of a revised Approved List.

Funds available to the County for investment are substantial, and the current lending policies ensure a balance of there being no difficulty placing funds, whilst at the same time the credit risk is minimised.

Refinancing risk management

The Council will ensure that its borrowing arrangements are structured, and managed with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise its achievement.

External long term funding is arranged by the Treasury staff in accordance with the Treasury Strategy, which is adopted by the Council's members before the start of each financial year. All borrowings are with either the Public Works Loan Board or a major bank as lender.

Loans are offered by the Board over periods of one to fifty years and can be either at fixed or variable rates. There are also three methods of repaying loans; Maturity, by Equal Instalments of Principal (EIP), or as Annuity loans. The Council currently uses only the first type, and pays interest half-yearly in September and March.

PWLB loans are fairly flexible; variable loans can be converted to fixed loans and vice versa, debt can be re-scheduled over different periods. Re-scheduling existing fixed rate debt however introduces an element of refinancing risk, which is increased in re-scheduling loans with long maturity profiles. The penalty (or premium) payable is dependent on the relationship between the loan rate and the current repayment rate for loans of a period equal to the unexpired term. As PWLB rates are reviewed daily, the timing of the rescheduling exercise is important if the costs of any penalties are not to cause problems to budgeted expenditure levels.

Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

Council officers carry out their duties with reference to Local Government Acts and Regulations, and in accordance with the Council's Treasury Management Policy.

In framing the Lending List, reference is made to official circulars from the Bank of England and to Credit Agency reports in order to vet potential counterparties. In return, the Council, if requested, will provide to those institutions, documentation to support the Council's and Council Officer's powers to enter into any transaction. Annual Accounts, Treasury Management Strategy Statements, and Schemes of Delegation are exchanged with counterparties.

Under no circumstances are officers involved in cash management allowed to borrow or lend for the purpose of generating surpluses from speculative money market dealings.

Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures to reduce exposure to these risks, in addition to providing effective contingency management arrangements.

Systems and procedures are in place to ensure that all money market deals are documented and authorised.

Proprietary systems are used to record money market transactions (Logotech Treasury Management), and to process transactions (Barclays.net). Both of these systems are operated with a clear division of duties between personnel involved in data entry, checking, and authorisation of transactions. Both systems are accessed only through a system of passwords. Reports and records from the systems also allow independent checks by others, for example Internal Audit, on the accuracy and completeness of all transactions, and to verify that they were made in accordance with agreed policy.

A summary of each day's activity is kept which shows the opening bank balances, and record of individual receipts and payments to be transacted during the day. This allows a forecast to be made of the end of day balance, and from this, the requirement to either borrow or lend funds.

Generally, if the forecast closing balance is less than £100,000 overdrawn, it is not economic to borrow at rates just marginally below the rate payable by having an overdrawn balance. The transaction costs, and the cost of brokerage, will more than outweigh any saving of interest.

A forecast credit balance of anything below £250,000 will not be offered to the 'market', but will be simply kept with Barclays Bank.

All borrowing is conducted via money brokers, and every effort is made to ensure that no one broker is given a disproportionate amount of business.

Lending can be arranged either direct with counterparties, or via a broker (as lending does not attract brokerage). It is clearly important to show that the interest rate for deposits made was competitive, and so a record is kept of rates available from other potential borrowers on the day.

Deals are entered into the Logotech system, and reports produced from it confirming the details entered, and a current list of all outstanding borrowing and lending. The

Barclays.net system is used to electronically transfer funds where deposits have been agreed, or where borrowings are to be repaid. Hard copy confirmation reports of data input to Barclays.net are created, and together with the Logotech reports and the Summary Sheet are passed to another section for checking and validation.

Authorisation to release electronic payments is restricted to a small number of senior officers, each of whom has been allocated a unique sign in.

Arrangements are in place to ensure that the roles of creator, validation and authoriser are covered for holidays and other absences.

Officers responsible for cash management follow the recommended procedures set out in the London Code of Conduct. This code requires that:

- Officers should not disclose or discuss, or press others to disclose or discuss, any information relating to specific deals transacted without permission from the relevant counterparty or broker;
- Visits to or from brokers should not be organised without the express permission of a senior officer. Any hospitality received must be declared and recorded;
- All deals must be concluded in the Investment Team Office;
- The dealer must bear in mind that in accepting a firm price, they are committing the Council to dealing at that rate. If a dealer wishes merely an indicative price, this must be made clear; and
- Brokers must be supplied with a copy of the Council's current approved Counterparty Lending List.

Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The majority of lending is in the form of cash deposits. However a proportion of the Council's funds may be invested in alternative forms of investment where the capital value may fluctuate. These will be managed in such a way as to minimise the risk of financial loss.

TMP2 Best Value and Performance Measurement

The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements.

The review of treasury management decisions is carried out at regular officer meetings held to discuss treasury matters. This forum reviews past actions as well as considering the period ahead.

The minutes of these meetings are made available to External Audit as part of their Annual Audit, and to Internal Audit should they be required.

Performance is measured against agreed benchmarks.

Long term debt is judged in terms of average rate of all external debt, and comparisons made with previous years.

Investment earnings are measured against published benchmarks, including Base Rate and the London Interbank Seven Day Rate (Libid).

Data is submitted to CIPFA for inclusion in its annual Treasury Management and Debt Management Statistics, which allow comparison with others. These comparative statistics will be used to monitor performance.

At present the Council has no plans to appoint external cash fund managers. It is not felt that the cost of such an appointment is likely to be covered by any marginal return over what is currently being achieved internally. However, this matter needs to be reviewed from time to time, and records are kept of the performance of a number of fund managers.

TMP3 Decision-Making and Analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

In respect of every decision made, Devon County Council's Treasury staff will have certainty about the legality of the transaction, and be content that the transaction helps deliver the organisation's objectives as set out in the Strategy Statement.

Third parties will have been checked to ensure their credit worthiness and to ensure that limits have not been exceeded. Rates will be fully checked against the market to ensure they are competitive.

With particular regard to borrowing, market and economic factors will influence the timing of any funding, the most appropriate period, and the repayment profile.

Similarly, before investing, account will be taken of the existing cash flow, and market conditions, before fixing the optimum period.

The Council employs Treasury Management Advisors, who are able to ensure that the officers are informed of any potential changes that may affect treasury decisions.

Records are kept not only of all transactions, but also of all documents that were a part of reaching the decision. For example, when investing, bids will be obtained from a number of banks, and a record kept of these to demonstrate that the one taken was competitive.

TMP4 Approved Instruments, Methods and Techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed, and within the limits defined in 'TMP1, Risk Management'.

The following are approved activities performed by Devon County Council:

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with capital financing and surplus funds; and
- Managing cash flow.

The Council's policy is not to use derivatives in its treasury management.

There are a number of ways of raising external capital finance, which are set out in Local Government Acts, but the Council has only used two of these, borrowing from the Public Works Loan Board, and from banks, in the form of LOBOs (see TMP 1 Treasury Risk Management – Interest Rate Risk for more information).

The County Treasurer considers these the most appropriate form of borrowing, but alternatives to these, which are allowed to Local Authorities, may well be considered in the future.

(Increasingly, there are other potential sources for the funding of capital projects, e.g. Private Finance arrangements, or the use of leasing, but they are not considered here).

The majority of lending is in the form of cash deposits. However a proportion of the Council's funds may be invested in alternative forms of investment where the capital value may fluctuate. These will be managed in such a way as to minimise the risk of financial loss. The potential list of alternative forms of investment includes UK Government Gilts, bond funds and property funds, but only those specified within the annual Treasury Management Strategy shall be permitted.

TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends to depart from these principles, the County Treasurer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements, and the implications properly considered and evaluated.

The County Treasurer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on treasury management. She will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

There are a number of bodies and individuals with responsibilities in this area.

Councillors

Members will receive reports on treasury management policies, practices and activities, including audit reports. As a minimum, each year, Council will have to consider:

- The Treasury Strategy Report, setting out the strategy and plans to be followed in the coming year. This report is part of the Budget process;
- A Mid-Year Monitoring Report; and

- An Annual Treasury Management Stewardship Report on the performance of the Treasury Management function, and highlighting any areas of non-compliance with agreed policy.

(The content of these three reports are more fully explained in TMP 6 'Reporting Arrangements'.)

Members are required to approve any amendments to the organisation's adopted Treasury Management Policy Statement, and the selection of external service providers, including agreeing terms of appointment.

The County Treasurer

The County Treasurer is responsible for recommending (changes to) Treasury Management Policies to Members for approval, and for ensuring they receive as a minimum, the three annual reports referred to above. The County Treasurer will ensure that Treasury Policies are adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

The County Treasurer will receive reports from the Treasury Team, both Internal and External Audit, and from other sources regarding performance. It is the responsibility of the County Treasurer to consider such reports, and any recommendations arising from them.

Prior to entering into any long term borrowing, lending or investment transaction, it is the responsibility of the County Treasurer to be satisfied, by reference to the Investment Team that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

The County Treasurer has delegated powers to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments. In practice these powers are in turn delegated to the Investment Team.

The Assistant County Treasurer – Investments and Treasury Management

The Assistant County Treasurer needs to ensure the adequacy of treasury management resources and skills, the effective division of responsibilities within the treasury management function, and that all transactions are authorised in accordance with the financial regulations of the Council.

The Treasury Management Team

The Treasury management Team are responsible for optimising the Council's investment returns commensurate with minimum risk, and in accordance with agreed policy and strategy.

Nominated team members are responsible for the execution of transactions, and for ensuring that they are documented in accordance with agreed practice.

In performing their roles they need to be aware of maintaining relationships with third parties and external service providers, which may well lead to identifying and recommending opportunities for improved practice.

Reports, both verbal and written are required to be made to the County Treasurer and the Assistant County Treasurer.

Internal Audit

The responsibilities of Internal Audit include ensuring compliance with approved policy and procedures, reviewing division of duties and operational practice, assessing value for money from treasury activities, and undertaking probity audit of the treasury function.

TMP6 Reporting Requirements and Management Information Arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

Before the start of each financial year, the Council must adopt the Treasury Management Strategy. The Strategy sets out the expected treasury activities for the forthcoming year, and is concerned with:

- The prospects for future interest rates;
- The expected strategy with regard to borrowing and temporary investments (including the appointment of external managers); and
- Policies regarding debt redemption and rescheduling.

A mid-year monitoring report will bring Members up to date with actions taken. This will draw on the regular meetings which the County Treasurer has with the Assistant County Treasurer (Investments and Treasury Management) and Treasury staff to consider activity to date, and to discuss particular aspects of treasury management activity.

An annual Treasury Management Stewardship Report will be presented to the Corporate Services Scrutiny Committee, and then to the Cabinet at the end of the financial year. The Treasury Management report includes:

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- Details of transactions executed and their revenue (current) effects;
- A report on risk implications of decisions taken;
- Monitoring of compliance with approved policy, practices and statutory/regulatory requirements;
- Monitoring of compliance with powers delegated to officers;
- The degree of compliance with the original strategy and explanation of deviations;
- An explanation of future impact of decisions taken on the organisation;
- Measurements of performance; and
- A report on compliance with CIPFA Code recommendations.
-

TMP7 Budgeting, Accounting and Audit Arrangements

The County Treasurer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management. This will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 'Risk Management', TMP2 'Best Value and Performance Measurement', and TMP4 'Approved Instruments, Methods and Techniques'.

The Treasury Management Budget or supporting papers will identify

- Staffing numbers and related costs, together with on-costs;

- Interest and other investment income;
- Debt and other financing costs;
- Bank and overdraft charges;
- Brokerage, commissions and other transaction-related costs; and
- External advisors' and consultants' charges.

The County Treasurer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 'Reporting Requirements and Management Information Arrangements'.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the County Treasurer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Assistant County Treasurer (Investments and Treasury Management) will ensure that these are adequate for the purposes of monitoring compliance with TMP1 regarding Liquidity Risk Management.

A Cash Flow Report is produced at the start of each financial year, based upon information contained in the published Capital and Revenue Budgets.

Items of income and expenditure are examined and in discussion with finance staff from the different services, a time dimension is attached to the flows of cash.

All of the cash flow data is then entered into the Logotech Treasury Management System, which also contains information relating to all of the Council's treasury transactions, both lending and borrowing.

Actual receipts and payments are monitored against the forecast, and regular discussions are held with services staff who are likely to be able to explain the variations. The forecast is updated in the light of them

Cash flow is discussed at weekly meetings of the Treasury Team, and is used in determining investment strategy.

TMP9 Money Laundering

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures to minimise the risk of any such event occurring, and for verifying and recording the identity of counterparties and reporting suspicions. It will also ensure that staff involved in treasury transactions are properly trained.

The source of all monies received by the Council is required to be identified. Major unbudgeted income or receipts which had not been forecasted are investigated.

The County Council does not accept loans from individuals. All loans are obtained from the Public Works Loan Board or from authorised institutions under the Banking Act 1987.

The names of these institutions formerly appeared on the Bank of England's quarterly list of authorised institutions, but in December 2001, the Financial Services Authority (FSA) took over many of the Bank's responsibilities in this area. In April 2013 the FSA was split up and responsibility passed to the Financial Conduct Authority and it is now responsible for maintaining the register.

TMP10 Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to ensure that individuals involved, whether in-house or out-sourced, are both capable and experienced and provided with training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Career development and planning for succession are similarly the responsibility of the Departmental Management. Qualifications that are required for all treasury posts are contained in their job descriptions.

The Council's County Treasurer, as a member of CIPFA is committed to her professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

She personally, and through her management team, accepts that these matters are ones that should be regularly assessed to ensure compliance.

TMP11 Use of External Service Providers

The Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

If and when it employs such service providers, it will ensure it does so for reasons, which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Where feasible, a spread of service providers will be used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The Council will be mindful of the requirements of the Bribery Act 2010 in their dealings with external providers. The monitoring of such arrangements rests with the County Treasurer.

TMP12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in this document, are considered vital to the achievement of proper corporate governance in treasury management, and the County Treasurer will monitor and, if necessary, report upon the effectiveness of these arrangements

Risk Analysis of Volatile Budgets

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 2016/17 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.
- Service 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 2016/17 £'000	Risk and Impact	Mitigation
Adult 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 £19.876millions 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>There is a risk in all services that central government actions may seek to find savings by measures that have the effect of disadvantaging local authorities. There have been recent examples of this in Youth Justice grants (reduced by £65,000) and very recent notification by NHS nationally that LAs must pay for "collaborative payments". The scale of this and the legal position are under review, but it is extremely difficult to plan for changes introduced in this piecemeal way</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 2015/16 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>
Carers	4,975 (gross)	The Council introduced a new and more flexible support offer to carers from April 2015 in line with changes to entitlement set out in the Care Act 2014. In the first year take up has been lower than expected, but there is a risk that demand could escalate significantly as the offer becomes established in the Carer Community, and the resultant cost could exceed budget provision.	Arrangements have been established for weekly monitoring of carers services demand and associated costs, in order to identify the cost trajectory of this service to improve information for management and control decisions.
Personal care	35,447 (gross)	Devon County Council is currently reprocurring most of the personal care the Council purchases in a joint procurement process with the Devon CCGs. The bids will be evaluated in January 2016 with contract awards	

		<p>expected by the end of March.</p> <p>The prices which are tendered may be higher than budget planning assumptions as the labour market is very different from when these contracts were last retendered in 2012. Providers will also be considering the effect of the National Living Wage due to be introduced in April 2016.</p> <p>The annual cost is approximately £300,000 for every 1% above planning assumptions.</p> <p>Furthermore there is ongoing risk to the security of labour supply, which could affect the delivery of care.</p> <p>Cost changes in the personal care market will need to be reflected in how the Council calculates appropriate personal budgets for Direct Payment. The impact of higher than planned personal care prices from the current reprocurement could mean that budget planning assumptions for the cost of Direct Payments is insufficient.</p>	<p>Financial modelling has been undertaken with our partners to inform budget allocations, and the service specification and financial evaluation have been designed to 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.</p>
Better Care Fund	Total pooled budget 59,657 of which 14,861 is included in DCC revenue budget as income	<p>The Council entered 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 £13millions of support to DCC social care budgets including £2millions towards the costs of implementing Care Act 2014 part 1 duties as required by central government (part 2 was deferred by government in July until 2020).</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, which now includes NEWDCCG being under a 'success regime' aimed at joint action to recover financial balance. The financial challenges faced by all partners inevitably pose a risk to the short term deployment of resources, ultimately making more difficult the very changes that are necessary to overcome those financial challenges.</p>	<p>A joint commissioning group comprising senior officers for each organisation and with detailed governance and specialist support is overseeing the operation of BCF and will ensure clear 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 parties to best meet the needs of the public.</p> <p>All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services across organisational barriers.</p>
Care market sufficiency	202,586 (gross)	<p>The Care Act 2014 introduced a clear statutory duty for Councils "to maintain sufficiency of provision – in terms of both capacity and capability – to meet anticipated needs for all people in their area needing care and support – regardless of how they are</p>	<p>3 new sector lead posts have been created to engage with providers and develop better market intelligence.</p> <p>Monitoring and risk profiles systems have been improved and</p>

		<p>funded."</p> <p>There have been clear recent instances where providers have ceased to provide care at the rates we pay and although they remain relatively low the number of instances where we cannot purchase personal care has grown compared with last year.</p> <p>Changes in the supply and price of labour, including the introduction of the National Living Wage, as well as a more stringent regulatory regime for providers (and nursing care in particular), present risks to future market sufficiency for care services.</p> <p>The consequences of a loss of sufficiency are threefold:</p> <ul style="list-style-type: none"> Operational risk – that DCC or NHS partners would be unable to place vulnerable clients with suitable care arrangements at an affordable price, or people well enough to leave hospital would be unable to do so due to a lack of suitable care Legal challenge to the Council for failure to meet the Care Act sufficiency duty and/or a reasonable location of placement Ultimately DCC could have to pay higher prices for care which might not be affordable within social care budgets. This could be through controlled price rises by sector, or uncontrolled, reactionary higher prices for individual placements. 	<p>continue to be developed.</p> <p>For personal care, the reprocurement seeks to appoint up to 8 lead providers across Devon which are required to secure a supply of care to the Council and CCGs.</p> <p>For residential and nursing care, DCC operates a "market premium" process for when a suitable placement is unavailable at the Council's usual price. Whilst this enables the Council to maintain its statutory duty, it has a financial impact if the frequency and value of market premia increases.</p> <p>A project team has been set up to review current purchasing arrangements and explore future options for commissioning care home services in a different way.</p>
Independent Living Fund	2,820	<p>Responsibility for former ILF clients passed to local government in 15/16. The government has pledged to fund the cost of the clients in full under the 'new burdens' approach, but has not at the time of writing indicated what the level of funding in 2016/17 will be.</p> <p>Once funding is announced it could be insufficient to meet anticipated costs.</p>	<p>Detailed analysis of cost and volume data has been undertaken to calculate the budget requirement in next year.</p> <p>DCC has lobbied government for a full transfer of funding for ILF duties.</p>
Adult Social Care	187,531	<p>Devon continues to have one of the most elderly population profiles in the country, particularly in people over 75 years of age with 11.6% of our population falling into this category which is 3.4% 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 2.6% next year, rising to 3.5% per year by 2020.</p> <p>In addition to the pressures above, there is a challenging programme of savings strategies totalling £15.1millions and management action plans required to deliver a balanced</p>	<p>Consistent application of eligibility criteria and continued development / enhancement of strategies to maintain people's independence while living at home as well as managing demand through early prevention activities including an asset-based approach.</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>budget. The savings plans include £4.2millions by further personalising the approach to adult care and increasing people's ability to direct resources themselves in a fair and equitable way. Lack of a sufficient and effective range of interventions with people with dementia to support them at home for as long as possible leading to higher costs as more intensive care is needed earlier.</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>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>Longer run risks are mitigated by further investment in preventative services such as social care reablement.</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>Demand management plans need to include application of eligibility criteria and regular reviews of need.</p> <p>Ensure professional operational practice throughout the joint teams.</p>
Mental Health	13,155	<p>There is particular risk relating to the delivery of the joint mental health recovery plan - this sets out cost containment measures in the order of £1.2millions. Service delivery is currently arranged through staff assigned to Devon Partnership Trust</p>	<p>Discussions are underway regarding potential alternative options for service delivery.</p>
Children's Social Work and Child Protection	76,217	<p>The current interim Head of Service is due to leave in April. This could lead to temporary loss of focus, as priorities settle down</p> <p>Reduction in social work 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>Plans to reduce agency costs across the region are underway as Devon strives to become less reliant on agency staff, resulting in more opportunity to manage this market and realise efficiencies. Work in childrens social work remains under constant review, with the volatility of childrens services having the inherent potential to increase the level of resource required.</p> <p>The placements budget is inevitably volatile and high risk, depending as it does on the highly varied and individual needs of children facing the most difficult circumstances.</p> <p>Even if needs were predictable, the placements budget would still be very high risk because</p>	<p>Recruitment of strong replacement with clear objectives and hand over</p> <p>More effective working methods, including greater use of mobile technology and efficient contact service will enable social workers to concentrate on direct work with families and children.</p> <p>Regional review of agency usage underway, with hourly cost reductions expected.</p> <p>Improved care planning and controls via panels to ensure children and young people are held in lowest possibility cost placements (with flexible additional support as required). Work via commissioning and education to identify needs and develop local solutions to ensure youngsters stay close to home, reduce overnights where possible, ensure rehabilitation, effective education placements and reduce transport costs.</p> <p>Consideration required in respect of process improvement,</p>

		<ul style="list-style-type: none"> - The numbers of children taken into care can vary. - The same factors increasing prices in the adult care market can also act to increase prices for the care of children. - although the budget has been set at a reasonably cautious level in recognising current pressures on placement costs, there are still assumptions of cost control measures which will need to be delivered in practice. These include £1.066 millions from improving our practice in decision making, our management of the market and strategic commissioning 	<p>consistency and quality of needs statements to improve effectiveness of brokerage, linkage with education searches and single plan for a child; more widely market development - external focus on relations with providers, role of Peninsula Framework, commissioning and contracting</p> <p>Continue to intervene earlier to avert crises and seek to work with district councils and partner agencies to provide joint alternatives to placements for 16 and 17 year olds, encouraging a degree of greater independence where safe and appropriate.</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>
Education and Learning – General Fund		<p>A quarter of Devon's schools are academies.</p> <p>Changes to the local authority's statutory responsibilities may reduce the influence of the Council and affect some of the central support functions it provides.</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>
School/College Transport	21,564 (net)	<p>The number of pupils with personalised transport needs has been increasing with costs continuing to rise. On current trends there is a potential over spend of £1.5millions (7% of the budget) in 2015/16 and on top of this savings of £0.375millions are planned for 2016/17</p>	<p>Seek to manage demand for special educational needs (as below for High Needs DSG spending) Increase access to Independent Travel Training. Review policies for discretionary transport provision and increase local provision for children with special educational needs.</p>
Education and Learning – Schools budgets		<p>As delegation to schools budgets and the number of academy conversions increase 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. This risk is further exacerbated by the impact of the implementation of national changes to employee costs adding to pressure on school budgets. This could lead to schools prioritising spend which may in turn impact on traded services and de-delegation decisions.</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>

High Needs budgets	56,515 (net)	The cost of educating pupils with complex educational and physical needs can be significant and volatile. In particular the number of students remaining in Education post 16 is rising. The deliverability of a balanced budget depends to a large extent on successfully increasing capacity in our maintained special schools and disinvesting from the more expensive independent sector.	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. Agree processes that effectively manage demand and ensure effective use of funding across all blocks of spending, Schools, Early Years and High Needs. SEND Graduated Response and Devon Assessment Framework (DAF) to support individual placements and redistribution from core funding to support schools with the most vulnerable placements.
--------------------	--------------	---	--

Place

Service	Budget 2016/17 £'000	Risk and Impact	Mitigation
Winter Maintenance and Emergencies	Approx. 6,596	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. 6,365	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. A change to the policy with regard to Highways Safety Inspections may increase the risk in this area.	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	30,095	Waste tonnage levels and growth rates are volatile and difficult to predict as they are 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.	Extra resources have been targeted towards this area to deal with an, above average, increase in the tonnage levels. Budgets reflect recent trends. Other than undertaking work to influence behaviours there is limited scope for management to alleviate financial pressures should tonnage increase. Tonnage levels are closely monitored. More cost effective ways of disposing of waste are continually explored such as the recent Energy from Waste Plants at both Exeter and Plymouth which are now open.
Public & Community Transport	4,437 (budget and other funding)	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	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.

		the scope for an integrated network. The reductions will have an impact on Devon communities as 19% of Devon residents have no access to a car, this places an increased strategic pressure on supported services.	DCC supported services are developed to achieve commercial viability where possible.
National Concessionary Travel Scheme	9,084	Under statutory provision Commercial Bus Operators are reimbursed for the use of free travel passes by more than 178,000 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.	Budgets reflect recent trend data. Fixed fee contracts with bus providers have been negotiated to alleviate most of the uncertainty around costs.
Flood Risk Management – surface water	941	DCC is the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act and the Flood Risk Regulations. Consequently there would be costs associated with statutory requirements in the event of a major incident.	DCC has processes in place to undertake the required duty should there be a significant flood incident. However funding over and above the Place budget might need to be identified.
Exeter Science Park (loan guarantee)	Max 2,652	Construction has been completed by Exeter Science Park Limited (ESPL) on a Science Park Innovation Centre. This was partially funded via a loan from the Growing Places Fund through the Local Enterprise Partnership (LEP). DCC have guaranteed 50% of the loan and interest. It is likely that part of the guarantee will be required and to date budgetary provision has been made to cover £800k. This figure is based on the current shortfall shown in the ESPL business plan which is now two years old and due to be revised.	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. However, the existing plan is now two years old.
Budget Reductions (incl. Policy Changes)	9,506	An extensive programme of budget cuts is planned for 2016/17. This is the sixth 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. In order to achieve budget reductions, policies are continually being reviewed using a more risk based approach. This may lead to an increase in risk of challenge or failure. The main policy review affected 2016/17 relates to the Highways Safety Inspection Policy which is being aligned with national standards on a risk based approach.	The first priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2016/17 with particular emphasis on high risk, or under developed, strategies. Continuous efforts to influence and negotiate with partners will be maintained. All policy changes are developed and tested/piloted prior to full implementation. An Equality Needs Impact Assessment is undertaken for each change. The effects and impact of the changes is continually monitored.

Place Partnership Risk Assessment

	Partnership	Purpose	Partner	Gross Value £'000	Risk Analysis / Mitigation
Place	Safety Camera Partnership	To encourage road safety in the region.	Devon County Council, Cornwall Council, Torbay Council, Plymouth Council Devon and Cornwall Police, Highways England	126 (DCC only)	There is a legal agreement in place between the partners. The Road Safety Partnership board decides which schemes to fund and Cornwall Council is the Accountable body. There is no risk of unexpected material costs arising unless the partnership is disbanded where liability for exit costs will be shared between partners. This risk is partially mitigated by a partnership reserve to part fund exit costs.

Corporate

Service	Budget 2016/17 £000	Risk and Impact	Mitigation
Facility Management - Premises	2,563	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	14,541	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	1,066	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	1,703	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.	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 Resources	8,465	Increasing demands for financial and HR support & advice, not least from services subject to organisational change and changes in service plans, place increasing pressure on the capacity of this service at a senior level.	Work closely with service heads across the authority to ensure consistency of approach, smarter working practices and increased use of information systems.
Public Health - Grant Allocation		The actual value of the grant is not known. An allocation of less than the budget that has been prepared will cause considerable service reduction in the medium term and may not be achievable in 2016/17.	The medium term plan includes re-procurement of all large areas of spend (sexual health, children's services and substance misuse) which will lead to savings being achieved.
Public Health - Sexual Health		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 has ensured that value for money is achieved and where possible exposure to increased demand is capped.

This page is left blank intentionally

Abbreviations

Abbreviations used within the budget:

AONB	Area of Outstanding Nature Beauty
BACS	Bankers automated clearing services (electronic processing of financial transactions)
BCF	Better Care Fund - a national arrangement to pool existing NHS and Local Government funding, which started in April 2015.
BDUK	Broadband Delivery UK
BRRS	Business Rate Retention Scheme
CCG	Clinical Commissioning Group
CDWM	Capital Development & Waste Management
CIPFA	The Chartered Institute of Public Finance & Accountancy
C of E	Church of England
DAF	Devon Assessment Framework
DCC	Devon County Council
DDA	Disability Discrimination Act
DEFRA	Department for Environmental Food & Rural Affairs
DFC	Devolved Formula Capital
DSG	Dedicated Schools Grant
E&E	Economy & Enterprise
EESI	Energy Efficiency Schools Initiative
EFA	Education Funding Agency
ESPL	Exeter Science Park Ltd
EU	European Union
FAB LAB	Fabrication Laboratory at Exeter Central Library
FTE	Full Time Equivalent
HR	Human Resources
ICT	Information & Communications Technology
IID	Investing in Devon funds
ILF	Independent Living Fund
IT	Information Technology
LAG	Local Action Group
LEP	Local Enterprise Partnership
LIBID	London Interbank BID rate
LIBOR	London Interbank Offered Rate
LLFA	Lead Local Flood Authority
LOBO	Lender Option Borrower Option
LTP	Local Transport Plan
MASH	Multi Agency Safeguarding Hub
MIL	Making it Local
MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTCP	Medium Term Capital Programme
MTFS	Medium Term Financial Strategy
MUMIS	Major Unforeseen Maintenance Indemnity Scheme

NEWDCCG	Northern, Eastern and Western Devon Clinical Commissioning Group
NHS	National Health Service
OFSTED	Office for Standards & Education, Children's Services and Skills
OP&D	Older People and Disability
PE	Physical Education
PFI	Private Finance Initiative
PTE	Planning Transportation & Environment
PWLB	Public Works Loans Board
REAL	Rural Enterprise and Local Livelihoods
RDPE	Rural Development Programme of England
RSG	Revenue Support Grant
S106	Funding from developers resulting from planning obligations authorised by section 106 of the Town and Country Planning Act 1990
SCOMIS	Schools Management Information Service
SEN	Special Education Needs
SEND	Special Educational Needs and Disabilities
SfC	Services for Communities
VAT	Value Added Tax
VELP	Vehicle Equipment Loan Pool
WEEE	Waste Electrical and Electronic Equipment Regulation

