

Revenue and Capital Outturn 2018/19



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2018/19 REVENUE & CAPITAL OUTTURN

Report of the County Treasurer

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

RECOMMENDATIONS:

It is recommended that:

- a) Members note that the draft outturn for 2018/19, after carry forwards and contributions to balances, reserves and provisions, shows an underspend of £63,000 against the approved revenue budget;
- b) The 2018/19 revenue outturn be approved, including transactions on earmarked reserves and provisions, spending against budget, treatment of over and under spending and the implications for balances, as set out in the tables and the narrative of the report;
- c) The 2018/19 capital outturn be approved including spending against budget and proposed carry forwards, in accordance with the tables;
- d) The use of capital finance as set out in the Determination of Capital Finance section 11 of the report be approved;
- e) A total of £15.0 millions is set aside from revenue resources as Minimum Revenue Provision (provision for credit liabilities to repay debt);
- f) The Prudential Indicators as set out in section 10 of this report be noted; and
- g) The total monies owing to the Council as at 31st March 2019 be noted.

1. Summary

- 1.1 Members have received regular budget monitoring reports throughout 2018/19 in which budget pressures and risks have been identified. The most significant of these has, throughout the year, related to Children's Services, with overspending of £8.7 millions forecast at month four (July) and steadily increasing to £12.0 millions at month ten (January). Cabinet, at its meeting in November, agreed a package of measures to offset the overspending and was pleased to note in March that, despite the increasing pressures in Children's services, the overall position was back in balance and the year-end position was now forecast to break-even.
- 1.2 The financial year has now ended and the overspending in Children's services is £9.8 millions and the overall authority position, after transfers to and from Reserves, is a small underspending of £63,000. Detailed explanations of the final financial position for each service area are given in section two of this report.
- 1.3 The authority, along with the other Devon authorities, was fortunate in 2018/19 to be selected by the Government to join its Business Rate Pilot for that year. This enabled £11.6 millions to be made available for invest to save initiatives within Children's Services. The initiatives will be implemented over a four-year timescale and at the end of the year £11.5 millions remains unspent and has been transferred to a dedicated Earmarked Reserve for future years. The change to the Minimum Revenue Provision policy agreed by County Council in February has, as planned, delivered a saving of just under £4 millions. A review of the Balance Sheet has enabled just under £3 millions to be released from the Financial Instruments Account to the revenue account. These two items, along with the late notification by Government of its intention to release the Business Rates Levy surplus in 2018/19 has enabled £8.2 millions to be added to the Budget Management Reserve. The mild and storm-free winter has meant that the Bellwin emergency budget was not required, £250,000 has been used to create a Climate Change Emergency Reserve and the balance has been added to the Emergency Reserve to enhance resilience to future events. Details of the overall Reserves position are contained in section five of this report and the table on page 8.

2. Spending

2.1 Adult Care and Health

- 2.1.1 The outturn for Adult Care and Health Services shows an overall net underspend of £686,000 after taking into account carry forward requests.
- 2.1.2 Adult Care operations and Health is showing an underspend of £805,000. The underspend is the result of total care packages for older people and disabilities being 217 less than budgeted and underspends in staffing and contract costs; these being offset by carry forward proposals.

- 2.1.3 Adult Commissioning and Health is showing an overspend of £119,000 after carry forwards. This is the result of an overspend on Mental Health services, partially offset by underspends on central staffing and contract budgets.
- 2.2 Children's Services
- 2.2.1 The outturn position for Children's Services is an overspend of £9.8 millions.
- 2.2.2 For Children's Social Care the overspend is £6.7 millions. One of the main causes has been greater numbers of children with complex needs requiring enhanced packages of care in residential and supported accommodation provision. The net financial effect of increased numbers of looked after children and higher placements costs is an overspend of £4.9 millions.
- 2.2.3 In Disabled Children's Services more children and their families accessing short breaks packages, some with very high levels of need, resulted in an over spend of £1.4 millions.
- 2.2.4 Additional investment to support service improvement, increased legal costs associated with higher volumes of cases and reduced income added a further pressure of £856,000. Vacancies and other variations within the service have led to an underspend of £455,000.
- 2.2.5 For Education and Learning General Fund the final position is an overspend of £267,000. The most significant adverse variance is within Schools Transport. The personalised transport budget has seen increased costs and higher numbers of children with Special Educational Needs requiring personalised transport
- 2.2.6 Education and Learning spending on schools is funded from the Dedicated Schools Grant (DSG). The grant is overspent by £5.2 millions due to increased demand and rising costs on Independent Special School placements, a reflection of the pressures being experienced nationally in relation to High Needs education placements. Of this £2.4 millions will be carried forward into 2019/20 as set out below. The remaining pressure of £2.8 millions will not be manageable within the 2019/20 DSG and Devon County Council has no choice but to fund this pressure as part of the 2018/19 outturn position.
- 2.2.7 A net carry forward of £16.5 millions has been agreed by the Schools Forum. This is made up of the ring fenced School's surplus balances of £16.2 millions, other central and dedelegated balances of £2.7 millions and the High Needs deficit of £2.4 millions as described above.
- 2.3 Communities, Public Health, Environment and Prosperity
- 2.3.1 The outturn for Communities, Public Health, Environment and Prosperity shows an overall underspend of £1.7 millions after taking into account grants and contributions carry forward and other carry forward request.
- 2.3.2 Service for Communities is underspent by £339,000. This is mainly due to unspent Locality funds and small variations on activity and staffing budgets.

- 2.3.3 Economy Enterprise and Skills is underspent by £423,000. This is mainly a result of slippage on major development projects and increased income.
- 2.3.4 Planning, Transportation and Environment is showing an underspend of £1.9 millions. This relates mainly to reduced National Travel Scheme journey numbers, a mixture of capitalisation and slippage on community flood schemes, additional one-off rent, fees from secondment of staff and slippage on various project spend.
- 2.3.5 Public Health underspent by £218,000 against the one-off budget for the procurement of Community Health and Care Children's services and additionally by £227,000 on the Public Health Grant. This latter amount has been added to the statutory public health reserve.
- 2.4 Corporate Services
- 2.4.1 The outturn for Corporate Services shows an overall underspend of £590,000 after taking into account grants and contributions carry forward and any other carry forward requests.
- 2.4.2 Chief Executive, HR, Legal and communications are £191,000 overspent. Delays to implementation of the new HR Management System, costs associated with the re-hearing of an inquest appeal and the need to use locum solicitors.
- 2.4.3 Digital Transformation and Business Support are showing an underspend of £667,000. Scomis Group contributed £312,000 of the underspend, generated by the education sector and other commissioned work, with slippage in delivering the IT roadmap and delays to Libraries Unlimited completing the roll-out of their new wide area network, more than offsetting other service pressures.
- 2.4.4 The County Treasurer is showing an underspend of £180,000 linked to increased income generation and delays to system developments.
- 2.5 Highways, Infrastructure Development and Waste
- 2.5.1 An underspend of £2.4 millions has been generated within Highways and Traffic Management, largely through a focus on long-term preventative works that have been funded from the capital programme. Further underspends resulting from reduced winter service activities, energy savings from street lighting LED conversions and increased income have been offset by an increased requirement for safety defect rectification works.
- 2.5.2 Waste tonnages have reduced through the year, including both disposal and recycling activities. This has contributed to a net underspend for the service of £1.9 millions.
- 2.5.3 Expenditure of £8.4 millions has been charged to the On-street parking account during the year, this includes items such as operating costs for on-street parking and enforcement activities, public transport support and highways cyclic maintenance works. Income totalling £6.3 millions has been generated, leaving a shortfall against expenditure of £2.1 millions. The balance of the reserve has

reduced from £5.4 millions to £3.3 millions at 31st March 2019. As shown in the 2019/20 budget book, the balance of the account is expected to continue to reduce over future years.

2.6 Other Items

- 2.6.1 The budgets for the Apprenticeship Levy and the Pension Contribution Shortfall have underspent by £47,000 and £552,000 respectively. This has helped to reduce the overspending on services to £1.9 millions.
- 2.6.2 As outlined in section 3 of this report, the Better Care Fund has underspent this year and £6.3 millions of the Improved Better Care Fund Grant is being carried forward into 2019/20.
- 2.6.3 In February County Council changed the Minimum Revenue Provision Policy from a straight-line method to an annuity method. This has resulted in a saving of £3.9 millions for 2018/19. This saving has been transferred to Earmarked Reserves. As a result of the projected overspend earlier in the financial year a review of the Balance Sheet was undertaken and, following a thorough review, £2.9 millions has been released from the Financial Instruments Adjustment Account. This has resulted in a one-off benefit to the Revenue Account that has also been taken to Earmarked Reserves.
- 2.6.4 Interest Receivable is just over £1 millions more than budgeted. This was partly as a result of having a higher level of cash to invest than anticipated. The authority also achieved a higher average return on investments in banks and building societies than budgeted of 0.81% compared with the target of 0.55%.
- 2.6.5 As part of the 2018/19 budget setting a contingency budget was established for social care, all costs are shown within the service line and this contingency can now be released resulting in an underspend of £2.2 millions. The Council Tax Support Partnership budget is underspent by £305,000. Due to the mild winter the Bellwin Scheme Related Emergencies budget remains unspent and £1.6 millions has been added to the Emergency Earmarked Reserve.
- 2.6.6 The County Council, in partnership with the other Devon local authorities, became a Business Rates Pilot. This allowed a budget of £11.6 millions to be established to support invest to save projects within Children's Services over several years. £95,000 has been spent so far allowing £11.5 millions to be transferred to a dedicated Business Rates Pilot Earmarked Reserve.
- 2.6.7 £217,000 infrastructure development budget was carried forward from 2017/18; this sum is committed to future capital projects and it is recommended that £217,000 is carried forward again this year. £70,000 of the efficiency support budget was carried forward to enable the continuation of Chapter 8 training with Parish Councils, the cost of training is not significant and will now be met from the Highways budget allowing the remaining £65,000 to be shown as an underspend.
- 2.6.8 Late notification of changes to Business Rates when the budget for 2018/19 was set has resulted in £463,000 of additional income being received, this is shown as an underspend. The revenue costs of the Dartington School rebuild have now come to an end and the remaining budget of £646,000 is no longer required and is shown as an underspend. As part of the savings initiatives to alleviate the in year overspending financing of some small capital projects was changed from revenue to capital receipts; this has resulted in an

underspend of £318,000. Budget setting for 2018/19 allowed for £4 millions to be transferred from the Budget Management Reserve, it has not been necessary to make this transfer.

- 2.6.9 The authority, along with the other Devon authorities, was fortunate in 2018/19 to be selected by the Government to join its Business Rate Pilot for that year. The Pilot has brought a financial benefit to all of the Devon authorities and the County Council's share of the pilot gain and additional compensation grants for small business rate reliefs etc is £1.6 millions more than anticipated. This has been transferred to the Business Rates Risk Reserve to help increase resilience to future fluctuations.
- 2.6.10 As reported to Cabinet in January the Government has distributed the surplus on the Business Rates Levy Account and Devon's share of this is £1.5 millions. This has been added to Earmarked Reserves with £250,000 being used to create a Climate Change Emergency reserve and the remainder being added to the Budget Management Reserve. Additional Grants for Local Service Support Grant, Schools Improvement and other small grants have also been received and have been used to balance the overall outturn position.

3. Better Care Fund

- 3.1 The Better Care Fund (BCF) for 2018/19 totals £93.2 millions and is reporting an underspend of £7.1 millions (7.6%); £6.261 millions grant, £707,000 revenue and £82,000 capital. This total will be carried forward in full by the Council to 2019/20, to continue with 2018/19 spending plans within the terms of the BCF framework agreement. The revenue underspending of £707,000 is attributable to reduced spending within Adult Carers and Care Act services of £1.2 millions. Based on the 2018/19 risk share arrangement the distribution of the surplus means that the Council will receive £6.6 millions of the total carried forward sum in the 2019/20 financial year for BCF purposes. For more information on the Better Care Fund, please see the table on pages 23.

4. General Balances

- 4.1 The working balance at 31st March 2018 was £14.7 millions. The review of the financial risk assessment prepared when the 2018/19 Budget was considered indicates that the Council should hold a working balance of about £14 millions. The outturn has enabled £63,000 to be added to the working balance.

5. Earmarked Reserves

- 5.1 At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £86 millions. During the year earmarked reserves have increased by a net £25.2 millions to £111.2 millions. The reason for this movement is explained below:

	£000	£000
Budgeted contribution - to offset risks relating to the Pilot		5,000
Underspend on Public Health Ring-fenced Grant	227	
In year change to Minimum Revenue Provision	3,925	
Release from Financial Instruments Adjustment Account - one off	2,948	
Bellwin Scheme Related Emergencies - mild winter	1,589	
Business Rates Pilot - Children's Initiatives	11,505	
Business Rates Pilot - Gain & Compensation Grants	1,577	
Business Rates - Levy Account Supplus Distribution - one-off	<u>1,550</u>	
		23,321
Spend on Transformation	(1,049)	
Spend from On Street Parking Reserve	<u>(2,089)</u>	
		<u>(3,138)</u>
		25,183

- 5.2 At the start of the financial year the Minimum Revenue Provision (MRP) Risk Reserve had a balance of £10.9 millions. The Government has decided not to change the MRP regulations at this time so it is recommended that this balance is transferred to the Budget Management Reserve.
- 5.3 £250,000 of the unspent budget for Bellwin Scheme Related Emergencies has been used to create a Reserve to support the authority's work in response to the Climate Change Emergency declared at County Council in February to facilitate stronger Devon-wide action through collaboration at a strategic, community and individual level.
- 5.4 Details of earmarked reserves are contained on page 13.

6. Conclusion

- 6.1 2018/19 has been a particularly challenging year for the authority. Significant overspending in Children's Services resulted in a package of measures being put in place to off-set this and it wasn't until month ten (January) that a balanced outturn was forecast. The final year end position is, a very welcome, small underspend after transfers to and from reserves. The authority's Earmarked Reserves have increased by £25.2 millions during the year, of this £18.1 millions is in relation to the Business Rates Pilot, being £6.6 millions to manage future risk and £11.5 millions for future invest to save initiatives within Children's Services.
- 6.2 The increase in the authority's reserves will help to put the authority in a stronger position to deal with the uncertainty that remains around future funding, Brexit and ongoing pressures in Social Care.

REVENUE OUTTURN SUMMARY 2018/19

	Final	Spending	Variations	Recommended Action				
	Approved		(Under) /	Grant	Other	Transfer	Recommended	(Increase)/
	Budget		Over	to 19/20	C/Fwd	To/(From)	Outturn	Decrease
	(1)	(2)	(3)	from 18/19	to 19/20	Reserves	(7)	in Balances
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 Adult Care and Health	235,123	232,470	(2,653)		1,967		234,437	(686)
2 Children's Services	147,333	138,399	(8,934)	18,739			157,138	9,805
3 Communities, Public Health, Environment and Prosperity	41,161	31,765	(9,396)	6,260	1,203	227	39,455	(1,706)
4 Corporate Services	35,098	33,779	(1,319)		730		34,509	(589)
5 Highways, Infrastructure Development & Waste	61,531	57,065	(4,466)	182			57,247	(4,284)
6 Central Contingency - Apprenticeship Levy	580	533	(47)				533	(47)
7 Pension Contribution Shortfall	2,019	1,467	(552)				1,467	(552)
8 Insurance Provision	650	650	0				650	0
TOTAL FOR SERVICES	523,495	496,128	(27,367)	25,181	3,900	227	525,436	1,941
9 Budget Carry Forward Fund	(39,797)		39,797	(33,636)	(6,161)		(39,797)	0
NON-SERVICE ADJUSTMENTS								
10 Other	0	1	1				1	1
11 Improved Better Care Fund Carry Forward	6,344		(6,344)	6,344			6,344	0
12 Capital Financing Charges	42,695	35,600	(7,095)			6,873	42,473	(222)
13 Capital Financing Charges - PFI	14,382	14,272	(110)				14,272	(110)
14 Investment Income on Balances	(1,000)	(2,052)	(1,052)				(2,052)	(1,052)
Levies and Contributions to Outside Bodies:								
15 Environment Agency	560	551	(9)				551	(9)
16 Devon Sea Fisheries	345	345	0				345	0
17 Unaccompanied Asylum Seeking Children	92		(92)	92			92	0
18 Adult Social Care Support	2,235	0	(2,235)				0	(2,235)
19 Council Tax Support Partnership	350	45	(305)				45	(305)
20 Bellwin Scheme Related Emergencies	1,500	(89)	(1,589)			1,589	1,500	0
21 Business Rates Pilot	11,505	0	(11,505)			11,505	11,505	0
22 Infrastructure Development	217		(217)		217		217	0
23 Efficiency Support for Sparse Areas	65		(65)				0	(65)
24 Dartington School	1,547	901	(646)				901	(646)
25 Business Rates	201	(262)	(463)				(262)	(463)

REVENUE OUTTURN SUMMARY 2018/19

	Final	Spending	Variations	Recommended Action				
	Approved Budget		(Under) / Over	Grant C/Fwd to 19/20 from 18/19	Other C/Fwd to 19/20 from 18/19	Transfer To/(From) Reserves	Recommended Outturn	(Increase)/ Decrease in Balances
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
26 Direct Revenue Support for Capital	1,475	1,176	(299)				1,176	(299)
27 Insurance Provision - contribution to capital expenditure		(19)	(19)				(19)	(19)
28 Schools contribution to capital expenditure	(1,059)	(1,059)	0				(1,059)	0
29 Transfer to/(from) Budget Management Reserve	(4,000)		4,000				0	4,000
30 Contribution to Business Rates Risk Reserve	5,000	5,000	0				5,000	0
31 Unaccompanied Asylum Seeking Children	(234)	(245)	(11)	11			(234)	0
32 Business Rates - Government Grants and Pilot	(19,166)	(20,394)	(1,228)			1,577	(18,817)	349
33 Business Rates - Levy Account Suplus Distribution	0	(1,550)	(1,550)			1,550	0	0
34 Independent Living Fund Grant	(2,705)	(2,705)	0				(2,705)	0
35 Education Statutory retained duties - schools contribution	(1,476)	(1,476)	0				(1,476)	0
36 Local Service Support Grant	(581)	(721)	(140)				(721)	(140)
37 New Homes Bonus	(3,808)	(3,809)	(1)				(3,809)	(1)
38 Lead Local Authority Flood Relief Grant	(89)	(89)	0				(89)	0
39 Adult Social Care Support Grant	(2,235)	(2,235)	0				(2,235)	0
40 Adult Social Care Winter Pressures	(3,576)	(3,576)	0				(3,576)	0
41 Virtual School Head Grant	(45)	(45)	0				(45)	0
42 Schools Improvement Grant	0	(740)	(740)				(740)	(740)
43 BREXIT Contingency Planning Grant		(88)	(88)	88			0	0
44 Improved Better Care Fund	(20,396)	(20,395)	1				(20,395)	1
45 Other Grants	0	(49)	(49)				(49)	(49)
46 Sub Total	511,841	492,421	(19,420)	(1,920)	(2,044)	23,321	511,778	(63)
47 Routine Spending from Earmarked Reserves	5,493	3,138	(2,355)				3,138	(2,355)
48 Routine Use of Earmarked Reserves	(5,493)		5,493			(3,138)	(3,138)	2,355
49 TOTAL	511,841	495,559	(16,282)	(1,920)	(2,044)	20,183	511,778	(63)

REVENUE OUTTURN 2018/19

WORKING BALANCES

	Balance 1st April 2018 (1) £'000	Contrib'ns (2) £'000	Spending (3) £'000	Balance 31st March 2019 (4) £'000
1 Working Balances	14,694			
2 External Support for Revenue Spending		511,841		
3 Net Revenue Spending			(511,778)	14,757
4 Total County Fund	14,694	511,841	(511,778)	14,757

EARMARKED RESERVES

	Balance 1st April 2018 (1) £'000	Contrib'ns from Budget & Transfers (2) £'000	Contrib'ns from / (to) Outturn (3) £'000	Spending (4) £'000	Balance 31st March 2019 (5) £'000
1 Affordable Housing	182				182
2 Budget Management	34,441	10,916	8,173		53,530
3 Business Rates Risk Management	6,170	5,000	1,577		12,747
4 Business Rates Pilot	0		11,505		11,505
5 Public Health	385		227		612
6 Emergency	16,500		1,589		18,089
7 Climate Change Emergency	0		250		250
8 On Street Parking	5,365			(2,089)	3,276
9 Minimum Revenue Provision Risk Reserve	10,916	(10,916)			0
10 Service Transformation	12,030			(1,049)	10,981
	85,989	5,000	23,321	(3,138)	111,172
11 Schools Carry Forward	18,142		16,203	(18,142)	16,203
12 Non Schools Carry Forward	21,655		19,630	(21,655)	19,630
	39,797	0	35,833	(39,797)	35,833
Total	125,786	5,000	59,154	(42,935)	147,005

REVENUE OUTTURN 2018/19

FUNDING REVENUE SPENDING

FUNDING REVENUE SPENDING

	£'000	£'000
1 Total revenue spending		511,778
2 Budget Variation added to balances		63
3 Budget level		511,841
4 Financed by:		
5 Revenue Support Grant	0	
6 Business Rates Retention Scheme - Local Element	(139,361)	
7 Business Rates Retention Scheme - Top Up	16,222	
8 Business Rates Collection Fund Deficit	(2,005)	
9 Council Tax - precepts on District Councils	(386,697)	
10 Total financing		(511,841)

PROVISIONS

	Balance 1st April 2018 (1) £'000	Contrib'ns (2) £'000	Spending (3) £'000	No longer Required (4) £'000	Remaining 31st March 2019 (5) £'000
1 Doubtful debts provision	2,235	378	(188)	(317)	2,108
2 Insurance	14,421	2,653	(3,097)		13,977
3 Out of date cheques	105	16	(3)	(32)	86
4 Green Waste	100				100
5 Structural redundancies	210		(198)	(2)	10
6 Social Care	0	54			54
Total	17,071	3,101	(3,486)	(351)	16,335

REVENUE OUTTURN 2018/19 – RECOMMENDED ACTION

ADULT CARE AND HEALTH

	Final Adjusted Budget (1)	Unadjusted Spending (2)	Grants c/fwds to 2019/20 (3)	Variations (Under) / Over (4)	Recommended Action Other c/fwds to 2019/20 (5)	Final Outturn (Under) / Over (6)
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Care Operations & Health	206,531	204,737	0	(1,794)	989	(805)
Adult Commissioning & Health (incl Mental Health)	24,601	24,449	0	(152)	271	119
Better Care Fund (DCC) Contributions	3,991	3,284	0	(707)	707	0
Revenue Outturn	235,123	232,470	0	(2,653)	1,967	(686)

VARIATIONS BETWEEN BUDGET AND SPEND

Adult Care Operations & Health

Disability Services, including autistic spectrum conditions - increased costs as a result of the number of packages being 152 more than budgeted, this being offset by Continuing Health Care agreements including one-off backdated amounts.

(202)

Older People - volume related savings across all services partially offset by residential and nursing increased cost pressures including market premiums. Overall care packages are 369 less than budgeted.

(638)

Older People & Disability in-house - reduction in transport and other costs

(37)

Social Care Reablement, Sensory, Community Enabling and other operational budgets - underspends in staffing and contracts costs

(917)

(1,794)

Adult Commissioning & Health (incl Mental Health)

Staffing vacancies and other efficiencies

(305)

Underspends on contracts and central budgets

(220)

Net overspend on Adult Mental Health services - increased costs as a result of the number of clients being 59 more than budgeted

373

(152)

Underspend within Better Care Fund

(707)

(2,653)

CARRY FORWARD PROPOSALS

Better Care Fund

707

Deprivation of Liberty Safeguards capacity

589

Extended commissioning projects

271

Personal care market sufficiency programme

400

1,967

CONTRIBUTION (TO) / FROM OUTTURN

(686)

REVENUE OUTTURN 2018/19 – RECOMMENDED ACTION

CHILDREN'S SERVICES

	Final Adjusted Budget (1) £'000	Unadjusted Spending (2) £'000	Grants c/fwd in 2018/19 (3) £'000	Variations (Under)/Over (4) £'000	Recommended Action Other c/fwds in 2018/19 (5) £'000	Final Outturn (Under)/Over (6) £'000
Children's Social Work	85,459	90,883	1,324	6,748	0	6,748
Education & Learning - General Fund	42,594	41,914	947	267	0	267
Education & Learning - Dedicated Schools Grant	19,280	5,602	16,468	2,790	0	2,790
Children's Services	147,333	138,399	18,739	9,805	0	9,805

VARIATIONS BETWEEN BUDGET AND SPEND

	£'000	£'000
<u>Children's Social Work</u>		
Increase in numbers of families accessing short break services and packages of care	1,432	
Net financial effect of increased numbers of looked after children and higher placements costs	4,915	
Atkinson Secure Children's Home: low levels of occupancy resulting in reduced income	363	
Additional investment to support service improvement & increased legal costs associated with higher volume of cases	493	
Vacancies and other staff cost savings	(455)	
		6,748
<u>Education & Learning - General Fund</u>		
Lower legal costs and clawback from academisation, Admissions buy-back and staff vacancies and efficiencies	(76)	
Higher than anticipated fee income and additional grant income	(252)	
School/College Transport - increased contractor costs and reduction in income	117	
Personalised Transport - increased costs and greater number of children with SEN requiring transport	642	
Early Years staff vacancies and efficiencies and Children's Centre rent	(198)	
Other	34	
		267
<u>Education & Learning - Dedicated Schools Grant</u>		
Schools delegated budgets (including Special and Hospital schools)	(16,203)	
Schools de-delegated budgets and centrally retained services for schools	(2,345)	
Early education for 2,3 & 4 years olds - take up of provision, planned carry forward of funding and Early grants income	(1,614)	
High Needs - Increased demand and cost in Independent SEN placements and Alternate Provision	6,484	
Revenue grants and contribution carried forward - Schools Balances	16,203	
Revenue grants and contribution carried forward - De-delegated, Central Provisions & Early Years carry forwards	2,703	
Revenue grants and contribution carried forward - High Needs deficit	(2,438)	
		2,790
		9,805

CARRY FORWARD PROPOSALS

0

CONTRIBUTION (TO)/FROM OUTTURN

9,805

REVENUE OUTTURN 2018/19 – RECOMMENDED ACTION

COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

	Final Adjusted Budget (1) £'000	Unadjusted Spending (2) £'000	Grants c/fwds in 2018/19 (3) £'000	Variations (Under) / Over (4) £'000	Recommended Action Other c/fwds to 2019/20 (5) £'000	Take to / (from) Reserves (6) £'000	Final Outturn (Under)/ Over (7) £'000
Communities and Other Services	13,570	11,663	1,568	(339)	272		(67)
Economy, Enterprise and Skills	6,320	4,383	1,514	(423)	249		(174)
Planning, Transportation and Environment	20,853	15,746	3,178	(1,929)	682		(1,247)
Public Health	418	(27)	0	(445)	0	227	(218)
Revenue Outturn	41,161	31,765	6,260	(3,136)	1,203	227	(1,706)

VARIATIONS BETWEEN BUDGET AND SPEND

	£'000	£'000
<u>Communities and Other Services</u>		
Delayed spend on Locality and Communities Together funds	(272)	
Staffing vacancies, activity budgets and residual commissioning issues	(67)	(339)
<u>Economy, Enterprise and Skills</u>		
Slippage on major development projects	(213)	
Delayed match funding spend on partnership schemes	(36)	
Reduced staffing costs and increased income	(174)	(423)
<u>Planning, Transportation and Environment</u>		
Additional income from rent, fees, supplies and external staff secondments	(575)	
Slippage on the implementation of the community flood schemes	(350)	
Capitalisation of specific flood schemes	(255)	
Slippage on sustainable travel initiatives	(67)	
Delayed match funding spend on partnership schemes	(87)	
National Travel Scheme - Journey numbers reduced	(595)	(1,929)
<u>Public Health</u>		
In year savings on contract costs	(218)	(218)
		(2,909)

CARRY FORWARD PROPOSALS

Community Flood schemes	350
Implementation of sustainable travel plans	67
Tour of Britain - Contractual commitment	92
Advance works for economic development capital schemes	116
Match funding for partnership agreements for projects	123
Locality and Community Together funds	272
Broadband project - Partnership commitments	183
	1,203
CONTRIBUTION (TO) / FROM OUTTURN	(1,706)

REVENUE OUTTURN 2018/19 – RECOMMENDED ACTION

CORPORATE SERVICES

	Final Adjusted Budget (1) £'000	Unadjusted Spending (2) £'000	Grants c/fwds to 2019/20 (3) £'000	Variations (Under) / Over (4) £'000	Recommended Action Other c/fwds to 2019/20 (5) £'000	Final Outturn (Under) / Over (6) £'000
Chief Executive, HR, Legal & Communications	7073	7264		191		191
Digital Transformation & Business Support	16074	14807		(1,267)	600	(667)
Organisational Development	715	781		66		66
Treasurer's Services	11236	10926		(310)	130	(180)
Revenue Outturn	35,098	33,778	0	(1,320)	730	(590)

VARIATIONS BETWEEN BUDGET AND SPEND

	£'000	£'000
<u>Chief Executive, HR, Legal & Communications</u>		
Net under-achievement of savings plans	297	
Legal costs of inquest appeal re-hearing	150	
Use of locum solicitors in Legal Services Safeguarding and Adults teams	138	
Increased income generation	(394)	191
<u>Digital Transformation & Business Support</u>		
Building maintenance, rental and closure of building costs	384	
Slippage in IT roadmap	(527)	
ICT stock and mobile phone replacement	(233)	
Libraries Unlimited IT	(201)	
Scomis Group - reduction in running costs and contracts	(193)	
PFI schools legal costs	(174)	
Increased income generation	(124)	
Scomis Group - additional income	(119)	
Facilities Management - business rates	(118)	
Net over-achievement of savings plans	(39)	
Other minor variations	78	(1,266)
<u>Treasurer's Services</u>		
Increased income generation	(189)	
Other variations	(122)	(311)
<u>Organisation Development</u>		
Net under-achievement of savings plans	56	
Contribution to Heart of the South West Joint Committee	10	66
		(1,320)

CARRY FORWARD PROPOSALS

ScoMIS - IT Service and Resource Management software, and project manager to implement Customer Relationship Management system	300
ICT Commissioning - Supporting the Smarter Devon review of data and intelligence functions and IT Roadmap	300
System Development, Counter Fraud and Risk Management Support	130
	730
CONTRIBUTION (TO) / FROM OUTTURN	(590)

REVENUE OUTTURN 2018/19 – RECOMMENDED ACTION

HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE

	Final Adjusted Budget (1) £'000	Unadjusted Spending (2) £'000	Grants c/fwds in 2018/19 (3) £'000	Variations (Under) / Over (4) £'000	Recommended Action Other c/fwds in 2018/19 (5) £'000	Final Outturn (Under) / Over (6) £'000
Highways Maintenance	23,491	21,557	182	(1,752)	0	(1,752)
Street Lighting	3,972	3,723	0	(249)	0	(249)
Highways Network Management	6,380	6,004	0	(376)	0	(376)
Infrastructure Development	(58)	(119)	0	(61)	0	(61)
Waste Management	27,746	25,900	0	(1,846)	0	(1,846)
Revenue Outturn	61,531	57,065	182	(4,284)	0	(4,284)

VARIATIONS BETWEEN BUDGET AND ACTUALS

	£'000	£'000
<u>Highways</u>		
Increased requirement for safety defect repairs	1,082	
Focus on preventative roads maintenance	(2,208)	
Additional street lighting energy savings from LED conversions	(249)	
Reduced requirement for winter service and emergency works	(626)	
Highways Network Management - increased income	(223)	
Highways Network Management - reduced operating expenditure	(153)	
		(2,377)
<u>Infrastructure Development & Waste</u>		
Reduction in waste disposal tonnages from budget levels	(964)	
Energy from waste plants - annual reconciliation payment and lower tonnages processed	(596)	
Recycling centres contracts - performance based payments to contractor	272	
Recycling centre contracts - income received from recyclable materials price fluctuation mechanism	(145)	
Reduction in recycling credits paid to District Councils due to lower than anticipated processed tonnages	(368)	
Reduction in overhead costs for Engineering Design Group	(61)	
Other minor variations	(45)	
		(1,907)
		<u>(4,284)</u>

CARRY FORWARD PROPOSALS

None	0
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CONTRIBUTION (TO) / FROM OUTTURN

(4,284)

BUDGET ADJUSTMENTS 2018/19

	Original Budget £000	2017/18 Virements Brought Forward £000		Final Budget £000
Adult Care and Health	227,851	2,558	4,714	235,123
Children's Services	125,487	20,840	1,006	147,333
Communities, Public Health, Environment and Prosperity	34,727	5,930	504	41,161
Corporate Services	34,618	610	(130)	35,098
Highways, Infrastructure Development & Waste	54,708	182	6,641	61,531
Central Contingency - Apprenticeship Levy	580			580
Central Contingency - Addt 1% Pay Award	1,600		(1,600)	0
Pension Contribution Shortfall	2,019			2,019
Insurance Provision	650			650
Total Service budgets	482,240	30,120	11,135	523,495
Budget Carry Forward Fund		(39,797)		(39,797)
Improved Better Care Fund C/F		6,901	(557)	6,344
Capital Financing	42,695			42,695
Capital Financing PFI	14,272		110	14,382
Interest on Balances	(1,000)			(1,000)
Unaccompanied Asylum Seeking Children	234		(142)	92
Adult Social Care Support	2,235			2,235
Council Tax Support Partnership	350			350
Bellwin Scheme Related Emergencies	1,500			1,500
Business Rates Pilot	11,600		(95)	11,505
Highways, Drainage & Patching	6,500		(6,500)	0
Infrastructure Development		217		217
Efficiency Support for Sparse Areas		70	(5)	65
Dartington School		1,552	(5)	1,547
Special Education Needs & Disability		418	(418)	0
Business Rates Top-Up		201		201
Direct Revenue Support for Capital		318	1,157	1,475
Schools Direct Revenue Support for Capital			(1,059)	(1,059)
Spending from Reserves	5,493			5,493
Use of Reserves	(5,493)			(5,493)
Transfer from Budget Management Reserve	(4,000)			(4,000)
Contribution to Business Rates Risk Reserve	5,000			5,000

BUDGET ADJUSTMENTS 2018/19 - continued

	Original Budget £000	2017/18 Brought Forward £000	Virements £000	Final Budget £000
Precepts				
Flood Defence	560			560
Inshore Fisheries	345			345
Non Service Budgets	80,291	(30,120)	(7,514)	42,657
	562,531	0	3,621	566,152
Unaccompanied Asylum Seeking Children	(234)			(234)
Business Rates - Government Grants and Pilot	(19,166)			(19,166)
Independent Living Fund Grant	(2,705)			(2,705)
Education Statutory retained duties - schools contribution	(1,476)			(1,476)
Local Service Support Grant	(581)			(581)
New Homes Bonus	(3,808)			(3,808)
Lead Local Authority Flood Relief Grant	(89)			(89)
Adult Social Care Support Grant	(2,235)			(2,235)
Adult Social Care Winter Pressures			(3,576)	(3,576)
Virtual School Head Grant			(45)	(45)
Improved Better Care Fund	(20,396)			(20,396)
TOTAL	511,841	0	0	511,841

BETTER CARE FUND S.75 POOLED FUND MEMORANDUM ACCOUNT

Gross Funding	Total £000	South Devon & Torbay CCG NEW Devon CCG		Devon County Council	
		£000	£000	Revenue £000	Capital £000
Contributions Received	(84,292)	(10,492)	(42,147)	(24,918)	(6,735)
Prior year carry forward	(8,862)			(8,789)	(73)
TOTAL FUNDING	(93,154)	(10,492)	(42,147)	(33,707)	(6,808)
Expenditure	Total £000	South Devon & Torbay CCG NEW Devon CCG		Devon County Council	
		£000	£000	Revenue £000	Capital £000
Care Act duties	101	94	378	(371)	
Dementia Diagnosis	602	128	574	(100)	
Disabled Facilities Grant	6,726	0	0	0	6,726
Enabling services	2,491	324	2,183	(16)	
Enhanced Community Equipment Services	7,355	952	3,808	2,595	
Enhanced Support for Carers	3,955	506	2,021	1,428	
Frailty & Community Care	21,202	4,601	15,383	1,218	
Hospital Discharge Services	1,086	250	717	119	
Improved Better Care Fund grant	20,962	0	0	20,962	
Rapid Response	3,303	408	2,600	295	
Single Point of Co-ordination	388	159	255	(26)	
Social Care Reablement	600	70	530	0	
Step-Up, Step-Down Care	3,533	778	2,810	(55)	
Support to social care	13,800	2,222	10,888	690	
TOTAL EXPENDITURE	86,104	10,492	42,147	26,739	6,726
NET OVER/(UNDER) SPEND	(7,050)	0	0	(6,968)	(82)
Refund to partners are as follows:					
South Devon & Torbay CCG	0	0			
NEW Devon CCG	0		0		
Devon County Council	(6,968)	0	0	(6,968)	0
	(6,968)	0	0	(6,968)	0
Capital funding carried forward	(82)				(82)
	(7,050)	0	0	(6,968)	(82)

ALLOWANCES PAID TO DEVON COUNTY COUNCILLORS

UNDER THE MEMBERS ALLOWANCES SCHEME FOR THE YEAR ENDING 31ST MARCH 2019 Note: Basic & Special Responsibility Allowances and some elements of travelling & subsistence allowances are subject to taxation.

<u>Elected members</u>		Basic Allowance	Special Responsibility Allowance	Mileage and Subsistence Expenses	Carers Allowance
Surname	Initis				
		£	£	£	£
Ackland	HA	12,369.35	0.00	33.30	0.00
Asvachin	M	12,369.35	0.00	0.00	0.00
Atkinson	Y	12,369.35	0.00	15.70	0.00
Aves	S	12,369.35	0.00	0.00	0.00
Ball	K	12,369.35	0.00	120.00	0.00
Barker	SD	12,369.35	18,554.52	1,742.06	0.00
Berry	EJ	12,369.35	0.00	406.01	0.00
Biederman	F	12,369.35	3,092.66	1,094.90	0.00
Bloxham	R	12,369.35	5,787.04	697.70	0.00
Brazil	JC	12,369.35	0.00	2,092.74	0.00
Brennan	E	12,369.35	0.00	0.00	338.22
Brook	FJ	12,369.35	6,185.07	0.00	0.00
Channon	C	12,369.35	0.00	373.92	0.00
Chubb	I	12,369.35	0.00	0.00	0.00
Chugg	C	12,369.35	11,714.56	916.74	0.00
Clatworthy	J	12,228.53	2,903.23	260.14	0.00
Colthorpe	P	12,369.35	4,514.61	0.00	0.00
Connett	A	12,369.35	6,185.07	0.00	0.00
Crabb	P	12,369.35	0.00	524.70	0.00
Croad	RF	12,369.35	18,554.52	4,741.17	0.00
Davis	AV	12,369.35	18,554.52	4,672.54	0.00
Dewhurst	A	12,369.35	9,028.41	2,302.19	0.00
Eastman	AJ	12,369.35	0.00	0.00	0.00
Edgell	RC	12,369.35	3,137.95	2,045.26	0.00
Gilbert	R	12,369.35	16,564.06	3,852.51	0.00
Greenslade	BC	12,369.35	0.00	655.61	0.00
Gribble	G	12,369.35	0.00	1,941.44	0.00
Hall	I	12,369.35	2,694.49	1,044.00	0.00
Hannafor	R	12,369.35	9,028.41	716.64	0.00
Hart	TJ	12,228.53	30,571.84	1,649.60	0.00
Hawkins	JD	12,369.35	3,092.66	1,049.43	0.00
Hellyer	L	12,369.35	0.00	1,218.39	0.00

<u>Elected members</u>		Basic Allowance	Special Responsibility Allowance	Mileage and Subsistence Expenses	Carers Allowance
Surname	Initis				
		£	£	£	£
Hodgson	J	12,369.35	0.00	461.04	0.00
Hook	JA	12,369.35	0.00	115.58	0.00
Hook	G	12,369.35	0.00	111.53	0.00
Hosking	RW	12,369.35	3,001.30	1,434.02	0.00
Hughes S	S	12,369.35	18,554.52	4,474.82	0.00
Inch	A	12,369.35	0.00	696.55	0.00
Leadbetter	AR	12,369.35	18,554.52	4,595.94	0.00
Matthews	J	12,369.35	3,092.66	764.97	0.00
McInnes	JR	12,369.35	23,942.57	5,834.31	0.00
Parsons	BM	12,369.35	18,554.52	3,029.22	0.00
Peart	R	12,369.35	0.00	168.37	0.00
Prowse	GJ	12,369.35	0.00	0.00	0.00
Radford	RF	12,369.35	1,671.96	775.09	0.00
Randall Johnson	S	12,369.35	9,028.41	789.28	0.00
Russell	E	12,369.35	0.00	377.55	0.00
Sanders	PR	12,369.35	3,092.66	0.00	0.00
Saywell	A	12,369.35	0.00	1,560.80	0.00
Scott	R	12,369.35	0.00	1,300.50	0.00
Sellis	D	12,369.35	4,514.61	1,781.18	0.00
Shaw	M	12,369.35	0.00	701.74	0.00
Slade	C	12,369.35	0.00	778.55	0.00
Squires	M	12,369.35	0.00	900.00	0.00
Trail	J	12,369.35	0.00	513.00	0.00
Twiss	P	12,369.35	0.00	1,264.21	0.00
Way	N	12,369.35	4,514.61	97.70	0.00
Whitton	C	12,369.35	0.00	118.31	0.00
Wright	C	12,369.35	0.00	1,256.02	0.00
Yabsley	J	12,369.35	0.00	482.18	0.00

CAPITAL

7. The Capital Programme

- 7.1 The approved Capital Programme for 2018/19 amounted to £170.8 millions. This figure includes £24.9 millions carry forward from 2017/18 and £40.6 millions of other additions approved during 2018/19.
- 7.2 Spend for the year totals £120.6 millions resulting in an outturn variance of £50.3 millions (actual spend in 2017/18 was £126.2 millions with slippage of £40.5 millions).
- 7.3 £47.6 millions of the variance represents slippage across a range of schemes which is recommended to be carried forward and £2.6 millions reflects savings achieved in programme delivery.
- 7.4 The following table summarises the 2018/19 Capital Programme expenditure and its financing:

Capital Expenditure	Budget	Actual Spend	Variation
	£000	£000	£000
Adult Care and Health	10,723	7,732	2,991
Children's Services	6,973	4,682	2,291
Communities, Public Health, Environment and Prosperity	56,278	33,572	22,706
Corporate Services	8,424	5,207	3,217
Highways, Infrastructure Development & Waste	88,418	69,362	19,056
Total	170,816	120,555	50,261

Capital Financing	Budget	Actual Spend	Variation
	£000	£000	£000
Capital Receipts Applied	22,423	11,933	10,490
Internal Borrowing	9,194	4,213	4,981
External Grants and Contributions	137,571	103,233	34,338
Revenue Budgets	1,628	1,176	452
Total	170,816	120,555	50,261

8. Capital Financing

- 8.1 Internal borrowing was lower than originally budgeted which will result in a reduction in the capital financing requirement, specifically Minimum Revenue Provision (MRP), for 2019/20.
- 8.2 There was also a decrease in the requirement for Direct Revenue Funding; this is mainly attributable to slippage in projects funded from schools revenue.
- 8.3 As part of the corporate savings initiatives adopted in November 2018 a review of the capital programme took place to determine if increased capital works could enable revenue savings. A revenue saving of £2.5 millions was achieved by increasing capital works by £1.9 millions and switching funding sources by £572,000.
- 8.4 External funding will need to be carried forward as unspent funds; this is mainly attributable to major schemes within Highways, Planning Transportation and Environment, and as a result of an increase in funding from the Department for Transport (DfT) in this area during 2018/19.
- 8.5 Capital Receipts

The capital receipts received in year totalled £10.8 millions. With the balance brought forward of £13.8 millions this more than covered the financing requirement for 2018/19 of £11.9 millions, as shown in the following table:

Capital Receipts	General Receipts	Investing in Devon	Total
	£000	£000	£000
Opening Balance 1st April 2018	11,801	1,959	13,760
Received in year	10,794	0	10,794
Applied to finance spend	(11,431)	(502)	(11,933)
Closing Balance 31st March 2019	11,164	1,457	12,621

9. Variation between the delivered Capital Programme and Budget

9.1 The 2018/19 slippage totalled £47.6 millions. It is recommended that £29.5 millions are carried forward into the 2019/20 Capital Programme, and £18.1 millions into 2020/21 and beyond. A breakdown of the underspend and the carry forward request is shown in the following table:

Programme Variation	Carry forward to 2019/20	Carry forward to 2020/21 and future years	Total Carry Forward	Under spend	Total Variation
	£'000	£'000	£'000	£'000	£'000
Adult Care and Health	85	2,460	2,545	446	2,991
Children's Services	1,009	936	1,945	346	2,291
Communities, Public Health, Environment and Prosperity	11,893	9,227	21,120	1,586	22,706
Corporate Services	3,217	0	3,217	0	3,217
Highways, Infrastructure Development and Waste	13,267	5,524	18,791	265	19,056
Total	29,471	18,147	47,618	2,643	50,261
Financed By:	£'000	£'000	£'000	£'000	£'000
Capital Receipts Applied	6,292	3,719	10,011	479	10,490
Internal Borrowing	1,958	2,323	4,281	701	4,982
External Grants and Contributions	20,983	11,992	32,975	1,363	34,338
Revenue Budgets	238	113	351	100	451
Total	29,471	18,147	47,618	2,643	50,261

A summary of the main reasons for the variation between spend and budgets is explained in the following paragraphs.

9.2 Adult Care & Health

£1.9 millions is due to the North Devon Community Facility. The early stages of appraisal, design and site options is underway, and this project has seen preliminary spend during 2018/19 with the remainder of significant spend expected in 2019/20.

9.3 Children's Services

Schools are awaiting the announcement of future years funding allocations. As a result, they have been reluctant to take on longer term spending commitments leading to a reduced spend on the Vehicle and Equipment Loans Pool (VELP) fund. Also, where schools have not been able to make use of the late additional schools capital funding this has been carried forward to future years.

9.4 Communities, Public Health, Environment and Prosperity

£1.5 millions is due to delays in advancing the Marsh Barton Station project, which is on hold due to elevated costs. Negotiations are on-going, and a new funding package is being developed.

£3.2 millions - A361 North Devon Link Road due to contingency not being called upon and land purchases not completing in 2018/19.

£3.7 millions - South Devon Highway due to delays in land compensation claims being resolved and paid which is outside of the authority's control.

The East of Exeter National Productivity Investment Fund includes a package of various works. Most of the variance of £1.0 millions is due to land and planning issues which have resulted in delays at the Science Park - Park & Change and Moor Lane roundabout improvement schemes.

£1.7 millions – the Roundswell South Business Park & North Devon Enterprise Centre Scheme are due to be run concurrently to ensure value for money and minimal disruption to residents. The site wide development has been delayed due to late response from the bid funders over the grant funds towards the North Devon Enterprise Centre.

£550,000 – The Bideford library project is at appraisal stage and is on hold while various options are considered.

£2.8 millions - A range of school expansion works were undertaken in-year however due to the complexity and scale, a number of these projects will see works continue into the new financial year, significantly New Okehampton Primary School along with SEND works at Charlton Lodge.

9.5 Corporate Services

£558,000 County Farms programme slippage is primarily related to the programme to upgrade existing farm dwellings to the Decent Homes Standards. Each site requires detailed feasibility work to be undertaken before the scheme can commence which has caused delays in some areas. Spend will continue into 2019/20.

£615,000 –Spending commitments for the property capital programme progressed well during 2018/19 with work on the replacement and upgrade of the County Hall boiler complete. Work on the heating systems for the rest of the corporate estate will continue into 2019/20.

£915,000 – the contract for the replacement of the ageing Access Control System has been awarded. However, the ZEB-CAT (Zero Energy Building Catalyst) project procurement is ongoing. Spend on these two projects is expected to complete in 2019/20.

£705,000 - Feasibility work has commenced this financial year on elements of the Strategic Centres Accommodation Improvement Programme however £700,000 of works will not be completed until 2019/20. This project includes work to reconfigure and enhance Lucombe House.

9.6 Highways Capital development and Waste Management

The additional £18.8 millions highways funding, awarded to Devon late in 2018/19, has resulted in the Severe Weather Resilience and LTP maintenance grant variance of £17.1 millions. Allocations are planned for works across 2019/20 and 2020/21.

10. Prudential Indicators

- 10.1 The prudential indicators are produced in line with the national code of practice that was drawn up by the Chartered Institute of Public Finance and Accountancy. This requires local authorities to monitor its overall debt level via a set of “prudential indicators”, in order to form a judgement about affordable, prudent and sustainable levels of debt. The definition of debt for the Prudential Indicators that were calculated and agreed within the Capital Programme for 2018/19 includes both borrowing and other long-term liabilities such as PFI schemes.
- 10.2 The indicators are set annually when the budget is agreed, and we report the final position of the indicators against the estimate within the outturn report. The indicators are adjusted after the budget is agreed for technical accounting changes. In 2018/19 no prudential indicators were breached

10.3 Capital Expenditure

The Prudential Indicators 2018/19 are based on the revised Capital Programme of £170.8 millions.

Capital Expenditure 2018/19	£'000
Planned Expenditure	170,816
Actual Expenditure	120,555
Variance	50,261

10.4 Capital Financing Requirement (CFR)

The Capital Financing Requirement reflects the cumulative capital expenditure that the authority has yet to finance. It is alternatively known as the underlying need to borrow.

**Capital Financing Requirement
Summary of Capital Expenditure and Sources of Finance**

ACTUAL 2017/18 £000	ACTUAL 2018/19 £000
724,104	729,326
Opening Capital Financing Requirement	
724,104	729,326
Capital Investment	
95,881 Property, Plant and Equipment	102,168
0 Heritage Assets	0
1,048 Intangible Assets	1,654
28,827 Revenue Expenditure Funded from Capital under Statute	16,733
450 Share Capital	0
Sources of Finance	
(8,085) Capital Receipts	(11,933)
(103,308) Government Grants and other contributions	(107,841)
Sums set aside from revenue:	
(2,355) Direct revenue contributions	(1,176)
(131) External contribution - debt repayments	(113)
(7,365) Statutory provision for the financing of capital investment	(14,853)
Capital provision	
5,758 Creation of Long Term Provision	5,499
(5,498) Provision remaining at year end	(5,247)
729,326	714,217
Closing Capital Financing Requirement	
Explanation of Movements in Year	
13,378 Increase in underlying need to Borrow (unsupported by government financial assistance)	4,213
260 Decrease in Capital Provision	252
(640) (Reduction)/ Increase in PFI liability	(2,161)
(7,776) Increase in the provision for repayment of debt	(17,413)
5,222	(15,109)
Increase/(decrease) in Capital Financing Requirement	

10.5 Authorised Limit and the Operational Boundary for External Debt

External borrowing totals £507.9 millions and other Long Term Liabilities total £123.4 millions. The actual external debt for 2018/19 was therefore £631.3 millions.

The authorised limit for external debt of £777.8 millions was not breached.

The operational boundary for external debt of £752.8 millions was not breached.

10.6 Ratio of Financing Cost to Net Revenue Stream

This key ratio shows the percentage of the net revenue budget which is used to finance debt. The long term commitment is that the capital finance charges excluding the capital financing costs included within the PFI and other PFI type of arrangements do not go above 12%. On an annual basis the authority, when assessing the affordability of the programme, estimates the relevant percentage.

Due to the change in MRP policy for external debt which was applied in year, the total financing costs for 2018/19 have been reduced by £3.9 millions. In addition, a review of balances resulted in a one off adjustment of £2.9 millions to the Financial Instruments Adjustment Account. This has resulted in a ratio of financing costs lower than originally expected.

11. Determination of Capital Finance

The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance sources, as outlined in the table shown on page 25 and compared to budget, is proposed:

That internal borrowing totalling £4.2 millions is used as authorisation to finance capital expenditure.

That expenditure of £103.2 millions is funded from government grants and external contributions to meet expenditure in 2018/19 for capital purposes.

That useable capital receipts of £11.9 millions are applied to meet expenditure in 2018/19 for capital purposes.

That the remaining capital expenditure of £1.2 millions is met from revenue budgets.

DEBT (Monies Owed to the Authority) as at 31st March 2019

12. Debt

- 12.1 The County Council collects income from a wide range of sources to fund its services. Large elements of income are received automatically from Government and District Councils in respect of Revenue Support Grant, share of National Non-Domestic Rates and Council Tax.
- 12.2 Technology is also used to receive income via the telephone and the internet. Debt recovery agents continue to be used where non-sensitive debt has proved difficult to collect.
- 12.3 Income is also received from the raising of invoices to users of a service. Accounts are credited with the income value with immediate effect, however, it is often the case that debtors take time to settle accounts and there is a time delay between accounting transactions and cash income.
- 12.4 The County Council has a number of debtor systems which encompass Adult Care functions, Devon Pensions Fund items and Corporate services.
- 12.5 As at 31st March 2019, the situation was as follows:

	Corporate System	Adult Care Functions	Devon Pension Fund	Total
Total Invoiced Income for the Year	£168.0 million (£163.0 million at 31st March 2018)	£48.8 million (£47.4 million at 31st March 2018)	£16.3 million (£10.3 million at 31st March 2018)	£233.1 million (£220.7 million at 31st March 2018)
Outstanding debt older than 3 months	£3.1 million (£2.2 million at 31st March 2018)	£11.8 million (£11.8 million at 31st March 2018)	£97,000 £192,000 at 31st March 2018)	£15.0 million (£14.1 million at 31st March 2018)
Percentage of Debt which is older than 3 months relative to whole year value	1.85% (1.33% at 31st March 2018)	26.35% (24.87% at 31st March 2018)	0.60% (1.86% at 31st March 2018)	6.43% (6.40% at 31st March 2018)

- 12.6 In terms of Corporate debt, active management of items throughout the year and recovery of a number of large value debts has helped to keep debt levels at a relatively low level.
- 12.7 Within the Adult Care Functions, elements of Residential Care debt are underwritten by property charges. At the year end, the level of debts over 3 months old secured by legal charge total £9.6 millions (£8.8 millions at 31st March 2018) and reduce the percentage of outstanding debt from 26.35% to 6.7% (6.2% at 31st March 2018).
- 12.8 The On-Street Parking system records monies owed for this service area. The nature of the individual debt is low value. At the year-end, gross debt totalled £1.3 millions, with a bad debt provision of £863,740.
- 12.9 Invoiced income in respect of the Devon Pension Fund is comparatively low in percentage terms and relates to a small number of debtors.
- 12.10 In addition, to mitigate the effect of non-recovery of debt, Provisions have been established to write-off corporate items which prove non-recoverable. At the year end, these total £200,000.

Mary Davis

Electoral Divisions: All

Local Government Act 2003

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Background Paper Date 8th May 2019

Detailed financial working papers and systems

Executive Member: Councillor Stuart Barker