

**Revenue Budget 2020/21
Medium Term Financial Strategy to 2023/24
and
Capital Strategy 2020/21 to 2024/25**

Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for **2020/21**

| Date | Committee | Subject | Ref No. |
|--------------------|---|---|---|
| 11th December 2019 | Cabinet | Revenue/Capital Budget 2020/21 | CT/19/120 |
| 15th January 2020 | Cabinet | Revenue/Capital Budget 2020/21 | CT/20/01 |
| 20th January 2020 | Children's Scrutiny | Draft Capital Programme 2020/21 - 2024/25 and Draft Revenue Budget 2020/21 | CT/20/02 |
| 23rd January 2020 | Health and Adult Care Scrutiny | Draft Revenue Budget 2020/21 | CT/20/03 |
| 28th January 2020 | Corporate, Infrastructure & Regulatory Services | Draft Capital Programme 2020/21 - 2024/25 and Draft Revenue Budget 2020/21 | CT/20/04 |
| 14th February 2020 | Cabinet | Impact Assessments | https://new.devon.gov.uk/impact/budget-2020-2021/ |
| 14th February 2020 | Cabinet | Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions | CSO/20/04 |
| 14th February 2020 | Cabinet | Overview/Scrutiny Committee recommendations | CSO/20/05 |
| 14th February 2020 | Cabinet | Revenue Budget and Medium Term Financial Strategy 2020/21 - 2023/24 and Capital Programme 2020/21 - 2024/25 | CT/20/05 |
| 20th February 2020 | Council | Revenue Budget and Medium Term Financial Strategy 2020/21 - 2023/24 and Capital Programme 2020/21 - 2024/25 | CT/20/06 |

| | |
|---|-----------|
| Relevant Committee Reports | 2 |
| Revenue Budget Overview | 5 |
| The Local Government Finance Settlement 2020/21 | 5 |
| Key Table 1 – Council Tax Requirement..... | 8 |
| Key Table 2 – Precept & Council Tax | 9 |
| Key Table 3 – Reserves and Balances..... | 10 |
| Key Table 4 – Medium Term Financial Strategy | 11 |
| Key Table 5 – Government Specific Grants | 12 |
| Key Table 6 – Grants Paid to External Organisations | 14 |
| Key Table 7- Staffing Data..... | 15 |
| Statement on the Robustness of the Budget Estimates, the Adequacy of the County Council’s Reserves and Affordability of the Capital Strategy | 17 |
| Capital Programme Overview 2020/21 - 2024/25 | 18 |
| Service Budgets | 35 |
| Leadership Group Commentary | 37 |
| Adult Care and Health | 38 |
| How the 2020/21 Budget has been built up | 38 |
| Analysis of Total Expenditure 2020/21 | 39 |
| Adult Care Operations and Health | 40 |
| Adult Commissioning and Health | 44 |
| Children's Services | 46 |
| How the 2020/21 Budget has been built up | 46 |
| Analysis of Total Expenditure 2020/21 | 47 |
| Children's Social Care | 48 |
| Service Commentary | 50 |
| Education and Learning (General Fund)..... | 52 |
| Education and Learning (School Funding) | 54 |
| Communities, Public Health, Environment and Prosperity | 58 |
| How the 2020/21 Budget has been built | 58 |
| Analysis of Total Expenditure for 2020/21 | 59 |
| Communities and Other Services | 60 |
| Economy, Enterprise and Skills | 62 |
| Planning, Transportation and Environment..... | 64 |
| Public Health..... | 66 |
| Corporate Services | 68 |
| How the 2020/21 Budget has been built up | 68 |
| Analysis of Total Expenditure 2020/21 | 69 |
| Chief Executive, Human Resources, Legal and Communications | 70 |
| Cross Council Savings Strategies | 73 |
| Digital Transformation & Business Support | 74 |

| | |
|--|------------|
| Organisational Development | 76 |
| Treasurer's Services | 78 |
| Highways, Infrastructure Development and Waste | 80 |
| How the 2020/21 Budget has been built up | 80 |
| Analysis of Total Expenditure for 2020/21 | 81 |
| Highways and Traffic Management..... | 82 |
| Infrastructure Development and Waste Management | 84 |
| Fees and Charges | 86 |
| Medium Term Financial Strategy 2020/21 – 2023/24..... | 87 |
| Introduction..... | 87 |
| Funding..... | 87 |
| Spending and Balancing the Budget..... | 90 |
| Ring Fenced Accounts | 96 |
| Financial Resilience..... | 97 |
| Reserves & Balances | 98 |
| Capital Strategy & Borrowing | 99 |
| Risk Management | 100 |
| Conclusion..... | 100 |
| County Fund Balance and Earmarked Reserves 2020/21 | 101 |
| Introduction..... | 101 |
| County Fund Balance | 102 |
| Dedicated Schools Grant (DSG) - High Needs Block | 103 |
| Earmarked Reserves | 103 |
| Conclusion..... | 106 |
| Treasury Management Strategy 2020/21 – 2022/23 and Prudential Indicators 2020/21 - 2024/25..... | 109 |
| Introduction..... | 109 |
| Treasury Management and Investment Strategy Overview | 109 |
| Minimum Revenue Provision | 111 |
| Prudential Indicators..... | 112 |
| Borrowing Strategy 2020/21 – 2022/23 | 118 |
| Investment Strategy 2020/21 – 2022/23 | 119 |
| Capital Strategy 2020/21 - 2024/2025..... | 127 |
| Risk Analysis of Volatile Budgets | 137 |
| Background | 137 |
| Risk Assessment | 138 |
| Abbreviations | 150 |

Revenue Budget Overview

2019/20 is the final year of the Government's four-year Local Government financial settlement and it was hoped that 2020/21 would be the start of a new multi-year settlement that would incorporate the outcome of a new Comprehensive Spending Review the Government's Fairer Funding review and the proposed changes to Business Rates. This unfortunately has not happened. Brexit and the national political issues resulted in all of this being delayed. This is discussed in more detail in the Medium Term Financial Strategy.

In September the Chancellor announced a one year Spending Round for 2020/21, this indicated that Core Funding for Local Government would increase by inflation with many of the other Government grants rolling forward on a flat cash basis. Due to the General Election in December the Provisional Local Government Settlement was delayed until late December but it was in line with expectations; more detail of the Settlement is set out below.

The Local Government Finance Settlement 2020/21

The state opening of Parliament took place on Thursday 19th December and on the 20th December, the Secretary of State for the Ministry for Housing, Communities and Local Government, Rt. Hon. Robert Jenrick MP, made a written statement to Parliament on the Provisional Local Government Finance Settlement 2020/21.

The 2020/21 local government finance settlement is for one year only. It is, as expected, based on the Spending Round 2019 funding levels announced in September and the subsequent Consultation.

The main points are set out below:

- **Council Tax** – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities with social care authorities allowed a 2% social care precept. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5;
- **Business Rates Retention** – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure;
- **Revenue Support Grant** - As outlined in the technical consultation, RSG (for those authorities that still receive RSG in 2019/20) has increased in line with the Business Rates Retention system (+1.63%);
- **Social Care Support Grant and Improved Better Care Fund** – Originally announced at Spending Round 2019, with further details provided in the technical consultation, the provisional settlement confirms the previously proposed national amounts and allocation methodologies;
- **Rural Services Delivery Grant** – The 2020/21 national allocation of £81m and the methodology for distribution remain unchanged from 2019/20; and
- **Business Rates Pilots** – As expected, no new business rates pilots were announced for 2020/21, with all areas apart from the original 2017/18 pilot areas reverting to the 50% scheme. The 2017/18 pilot areas are to remain at 100%, or 37% for the Greater London Authority.

The Provisional Settlement for the County Council is:

| | £000 |
|--|-------------|
| Revenue Support Grant | 546 |
| Business Rates Central Government Top Up | 80,654 |
| Business Rates assumed Local Element | 21,997 |
| New Homes Bonus | 3,526 |
| Rural Services Delivery Grant | 7,455 |
| Social Care Support Grant | 20,160 |
| Improved Better Care Fund | 28,271 |

Revenue Expenditure

Detailed budgets have now been produced within the Targets set by Cabinet in January 2020; these are shown on pages 35 to 85.

At its meeting of 15th January 2020, Cabinet set updated Revenue Budget targets for 2020/21. In December Cabinet set initial Target Budgets but due to the national political uncertainty at that time these were set at a cautious level.

The detailed budgets on pages 35 to 85 comply with the targets set by Cabinet on 15th January which total £541.2 millions. The total includes funding for budget pressures of £50.6 millions that mainly relates to additional expenditure to allow for service growth to cater for demographic changes such as increased children and adult service users and unavoidable cost pressures. Savings and income initiatives of £7.5 millions are required to set a balanced budget.

The targets set for each service area have been subject to different pressures and influences. The table below shows the 2020/21 Budget Targets by Chief Officer.

| | 2019/20 Adjusted Budget * | Inflation & Pressures | Savings & additional Income | 2020/21 Budget | Net change | |
|--|--|--|--|---------------------------|-------------------|-------------|
| | £000 | £000 | £000 | £000 | £000 | % |
| 1 Adult Care & Health | 236,544 | 28,772 | (5,058) | 260,258 | 23,714 | 10.0% |
| 2 Childrens Services | 135,307 | 12,709 | (1,171) | 146,845 | 11,538 | 8.5% |
| 3 Community Health, Environment & Prosperity | 38,788 | 1,075 | (150) | 39,713 | 925 | 2.4% |
| 4 Corporate Services | 34,681 | 2,649 | (170) | 37,160 | 2,479 | 7.1% |
| 5 Cross Council Savings Strategies | (1,941) | 1,691 | 0 | (250) | 1,691 | -87.1% |
| 6 Highways, Infrastructure Development & Waste | 54,718 | 3,740 | (950) | 57,508 | 2,790 | 5.1% |
| | 498,097 | 50,636 | (7,499) | 541,234 | 43,137 | 8.7% |

* Adjusted for permanent virements

The risks associated with the delivery of the 2020/21 budget and the mitigating action needed to try to contain that risk is detailed on pages 137 to 149.

Revenue Expenditure - Other items

Key Table 1 on page 8 shows the estimated level of spending on services and 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 pages 18 to 33 Factors that influence the income gained from our balances are set out on pages 109 to 125 that explains the Council's Treasury Management Strategy.

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. Cabinet is required to recommend a tax level to County Council.

District Councils have now reported their final tax base and surpluses on collection. The level of tax collection surplus attributable to the County Council is an estimated £4.1 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.

Key Table 2 sets out the Council Tax Requirement, Tax Base, Council Tax by band and individual District Precepts.

Reserves and Balances

Members need to endorse the level at which general balances and earmarked reserves should be maintained. Pages 101 to 107 explain 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.

Key Table 3 summarises the Authority's Reserves and Balances.

Medium Term Financial Strategy

The Authority's approach to the Medium Term Financial Strategy (MTFS) is detailed on pages 87 to 100. The level of uncertainty over future funding means that significant assumptions have had to be made; when future funding levels are known the MTFS will almost certainly need updating. Key table 4 is the financial representation of the current MTFS.

Revenue Income - Specific Grants

The Council not only receives Core Funding but also specific grants that relate to particular activities and these are detailed in Key Table 5 in page 12 and 13. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2020/21 the Dedicated Schools Grant has increased to £539.4 millions from £510.2 millions in 2019/20. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Conclusion

In 2020/21 the authority's Core Funding will increase by 1.63%, this is a welcome change from the 11% average annual reduction since austerity began in 2010. This does not however mean that it has been easy for the authority to set a balanced budget. There are significant ongoing pressures in both adult and children's services with the greatest area of concern being the funding shortfall on the Dedicated School's Grant High Needs Block and the lack of information from Government on what they intend to do about it.

Key Table 1 – Council Tax Requirement

| 2019/20 Adjusted Budget £000 | Changes £000 | 2020/21 Budget £000 |
|--|-------------------------|------------------------------------|
| 236,544 Adult Care & Health | 23,714 | 260,258 |
| 135,307 Children's Services | 11,538 | 146,845 |
| 38,788 Communities, Public Health, Environment & Prosperity | 925 | 39,713 |
| 32,740 Corporate Services | 4,170 | 36,910 |
| 54,718 Highways, Infrastructure Development & Waste | 2,790 | 57,508 |
| 590 Central Contingency - Apprenticeship Levy | 10 | 600 |
| 0 Pension contribution discount | (483) | (483) |
| 2,261 Pension contribution shortfall | (1,203) | 1,058 |
| 700 Insurance Provision | 0 | 700 |
| 501,648 TOTAL SERVICE BUDGETS | 41,461 | 543,109 |
| 38,377 Capital Financing Charges | 22 | 38,399 |
| 6,232 Exeter Schools PFI Financing Charges | (554) | 5,678 |
| 5,456 Exeter Energy from Waste PFI Financing Charges | 0 | 5,456 |
| 2,667 Plymouth Energy from Waste PFI Financing Charges | 0 | 2,667 |
| (1,600) Interest on Balances | 50 | (1,550) |
| 350 Council Tax Support Partnership | 0 | 350 |
| 1,500 Bellwin Scheme Related Emergencies | 0 | 1,500 |
| 87 Brexit Preparations | (87) | 0 |
| 0 Highways, Draining and Patching | 1,000 | 1,000 |
| 4,333 Spending from Reserves | 3,572 | 7,905 |
| 606 Environment Agency - Flood Defence | 12 | 618 |
| 341 Inshore Fisheries Conservation Authority (IFCA) | 7 | 348 |
| (4,333) Use of Reserves | (3,572) | (7,905) |
| 3,000 Transfer to/(from) Budget Management Reserve | 1,500 | 4,500 |
| 3,500 Transfer to/(from) SEND High Needs Reserve | (3,500) | 0 |
| 5,000 Contribution to Service Transformation Reserve | (5,000) | 0 |
| (6,821) Business Rates - Government Grants | (1,092) | (7,913) |
| (2,623) Independent Living Fund (ILF) | 79 | (2,544) |
| (1,476) Education statutory retained duties - schools contribution | 0 | (1,476) |
| (581) Local Service Support Grant | 0 | (581) |
| (3,659) New Homes Bonus | 133 | (3,526) |
| (7,455) Rural Services Delivery Grant | 0 | (7,455) |
| (95) Lead Local Authority Flood Relief Grant | 0 | (95) |
| (87) Brexit Preparations Grant | 87 | 0 |
| (3,576) Winter Pressures Grant | 3,576 | 0 |
| (6,108) Social Care Support Grant | (14,052) | (20,160) |
| (24,695) Improved Better Care Fund | (3,576) | (28,271) |
| 509,988 NET BUDGET (BUDGET REQUIREMENT) | 20,066 | 530,054 |
| (537) Revenue Support Grant | (9) | (546) |
| (79,360) BRRS Central Government Top Up | (1,294) | (80,654) |
| (21,405) BRRS Local Element | (578) | (21,983) |
| (2,364) Collection Fund (Surplus)/Deficit - BRRS | 2,655 | 291 |
| (4,659) Collection Fund Surplus - Council Tax | 592 | (4,067) |
| (401,663) COUNCIL TAX REQUIREMENT | (21,432) | (423,095) |

The 2020/21 Band D Council Tax is increased by 3.99% to £1,439.46

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

| | |
|---|-----------------------|
| | £'s |
| County Council Budget funded by District Councils' collection fund: | 427,162,722.40 |
| Net Surplus on Council Tax collection in previous years | (4,067,325.88) |
| Total to be met from Council Tax precepts in 2020/21 | 423,095,396.52 |

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

| District Council | Tax Base (Relevant Amount) | Tax Base Used for Collection | Collection Rate % |
|------------------|----------------------------|------------------------------|----------------------|
| East Devon | 60,747.00 | 60,141.00 | 99.00 |
| Exeter | 38,503.00 | 37,348.00 | 97.00 |
| Mid Devon | 29,633.21 | 29,040.56 | 98.00 |
| North Devon | 35,455.85 | 34,569.45 | 97.50 |
| South Hams | 39,239.02 | 38,508.49 | 98.00 |
| Teignbridge | 50,216.20 | 49,714.00 | 99.00 |
| Torrige | 24,579.01 | 24,333.26 | 99.00 |
| West Devon | 20,898.13 | 20,271.71 | 97.00 |
| Total | 299,271.42 | 293,926.47 | 98.21 |

COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

| Valuation Band | Government Multiplier | | Adult Social Care Precept £'s | General Expenditure (Other) £'s | Council Tax Devon CC £'s |
|----------------|-----------------------|--------------|----------------------------------|------------------------------------|-----------------------------|
| | Ratio | % of Band D | | | |
| A | 6/9 | 66.7 | 83.82 | 875.82 | 959.64 |
| B | 7/9 | 77.8 | 97.79 | 1,021.79 | 1,119.58 |
| C | 8/9 | 88.9 | 111.76 | 1,167.76 | 1,279.52 |
| D | 1 | 100.0 | 125.73 | 1,313.73 | 1,439.46 |
| E | 11/9 | 122.2 | 153.67 | 1,605.67 | 1,759.34 |
| F | 13/9 | 144.4 | 181.61 | 1,897.61 | 2,079.22 |
| G | 15/9 | 166.7 | 209.55 | 2,189.55 | 2,399.10 |
| H | 18/9 | 200.0 | 251.46 | 2,627.46 | 2,878.92 |

The County Council Tax for Band D represents an increase of 3.99% on the 2019/20 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2020/21

| District Council | Surplus (deficit) for 2019/20 £'s | Precepts Due 2020/21 £'s | Total due in 2020/21 £'s |
|------------------|--------------------------------------|-----------------------------|-----------------------------|
| East Devon | 804,373.14 | 86,570,563.86 | 87,374,937.00 |
| Exeter | 979,020.64 | 53,760,952.08 | 54,739,972.72 |
| Mid Devon | 588,940.87 | 41,802,724.50 | 42,391,665.37 |
| North Devon | 428,204.23 | 49,761,340.50 | 50,189,544.73 |
| South Hams | 360,000.00 | 55,431,431.02 | 55,791,431.02 |
| Teignbridge | 359,941.00 | 71,561,314.44 | 71,921,255.44 |
| Torrige | 242,846.00 | 35,026,754.44 | 35,269,600.44 |
| West Devon | 304,000.00 | 29,180,315.68 | 29,484,315.68 |
| | 4,067,325.88 | 423,095,396.52 | 427,162,722.40 |

Key Table 3 – Reserves and Balances

| COUNTY FUND BALANCES | £'000 |
|--|---------------|
| Estimated balance as at 31st March 2020 | 14,757 |
| Add contribution in 2020/21 | 0 |
| Estimated balance as at 31st March 2021 | 14,757 |

Note: The estimate of both working balances and earmarked funds as at March 2020 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 March 2020 £'000 | Estimated Spending £'000 | Estimated Income £'000 | Estimated Balance at 31 March 2021 £'000 |
|---|--|--------------------------------|------------------------------|--|
| Affordable Housing | 182 | 61 | | 121 |
| On Street Parking | 1,681 | 1,525 | | 156 |
| Public Health | 500 | 500 | | 0 |
| Budget Management | 56,867 | 55 | 4,500 | 61,312 |
| Business Rates Pilot | 10,922 | 2,207 | | 8,715 |
| Business Rate Risk Management | 12,747 | 0 | | 12,747 |
| Climate Change Emergency | 189 | 161 | | 28 |
| Emergency | 18,089 | 0 | | 18,089 |
| Service Transformation | 9,185 | 3,396 | | 5,789 |
| Total Earmarked Revenue Reserves | 110,362 | 7,905 | 4,500 | 106,957 |

DEDICATED SCHOOLS GRANT

| | Estimated Balance at 31 March 2020 £'000 | Estimated Spending £'000 | Estimated Income £'000 | Estimated Balance at 31 March 2021 £'000 |
|--------------------------|--|--------------------------------|------------------------------|--|
| School Balances | 16,203 | | | 16,203 |
| SEND / High Needs | (21,500) | 23,800 | | (45,300) |
| | (5,297) | 23,800 | 0 | (29,097) |

Key Table 4 – Medium Term Financial Strategy

| | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|--|------------------|------------------|------------------|------------------|
| Adult Care & Health | 260,258 | 273,964 | 290,105 | 306,844 |
| Children's Services | 146,845 | 154,892 | 161,809 | 168,785 |
| Communities, Public Health, Environment & Prosperity | 39,713 | 40,997 | 42,360 | 43,662 |
| Corporate Services | 36,910 | 38,376 | 39,599 | 40,850 |
| Highways, Infrastructure Development & Waste | 57,508 | 60,222 | 63,261 | 65,908 |
| Savings to Services | 0 | 0 | (16,424) | (29,567) |
| County Council Election | 0 | 1,500 | 0 | 0 |
| Central Contingency - Apprenticeship Levy | 600 | 610 | 620 | 630 |
| Pension contribution discount | (483) | (501) | (519) | 0 |
| Pension contribution shortfall | 1,058 | 1,204 | 1,447 | 1,690 |
| Insurance Provision | 700 | 700 | 750 | 800 |
| Total Service Budget | 543,109 | 571,964 | 583,008 | 599,602 |
| Other Budgets: | | | | |
| Capital Financing Charges | 38,399 | 37,963 | 38,184 | 38,248 |
| Exeter Schools PFI Financing Charges | 5,678 | 5,678 | 5,678 | 5,678 |
| Exeter Energy from Waste PFI Financing Charges | 5,456 | 5,456 | 5,456 | 5,456 |
| Plymouth Energy from Waste PFI Financing Charges | 2,667 | 2,667 | 2,667 | 2,667 |
| Interest on Balances | (1,550) | (1,550) | (1,550) | (1,550) |
| Council Tax Support Partnership | 350 | 350 | 350 | 350 |
| Bellwin Scheme Related Emergencies | 1,500 | 1,500 | 1,500 | 1,500 |
| Highways, Draining and Patching | 1,000 | | | |
| Spending from Reserves | 7,905 | 5,647 | 3,060 | 3,000 |
| Payments to Outside Bodies | | | | |
| Environment Agency - Flood Defence | 618 | 630 | 643 | 656 |
| Inshore Fisheries Conservation Authority (IFCA) | 348 | 359 | 370 | 381 |
| Reserves and Balances | | | | |
| Use of Reserves | (7,905) | (5,647) | (3,060) | (3,000) |
| Contribution to/(from) Budget Management Reserve | 4,500 | 0 | 0 | 0 |
| Contribution to Service Transformation Reserve | 0 | 5,000 | 5,000 | 5,000 |
| Other Grant Income | | | | |
| Business Rates - Government Grants | (7,913) | (8,071) | (8,230) | (8,404) |
| Independent Living Fund (ILF) | (2,544) | (2,465) | (2,386) | (2,307) |
| Education statutory retained duties - schools contribution | (1,476) | (1,476) | (1,476) | (1,476) |
| Local Service Support Grant | (581) | (581) | (581) | (581) |
| New Homes bonus | (3,526) | (1,689) | (980) | 0 |
| Rural Services Delivery Grant | (7,455) | (7,455) | (7,455) | (7,455) |
| Lead Local Authority Flood Relief Grant | (95) | (95) | (95) | (95) |
| Social Care Support Grant | (20,160) | (20,160) | (20,160) | (20,160) |
| Improved Better Care Fund | (28,271) | (28,271) | (28,271) | (28,271) |
| NET BUDGET (BUDGET REQUIREMENT) | 530,054 | 559,754 | 571,672 | 589,239 |
| Financed By: | | | | |
| Revenue Support Grant | (546) | (557) | (568) | (580) |
| BRRS Central Government Tariff/(Top Up) | (80,654) | (82,518) | (84,139) | (85,760) |
| BRRS Local Element | (21,983) | (22,423) | (22,871) | (23,329) |
| Collection Fund (Surplus)/Deficit - BRRS | 291 | 1,000 | 1,000 | 1,000 |
| Collection Fund Surplus - Council Tax | (4,067) | (3,000) | (3,000) | (3,000) |
| COUNCIL TAX REQUIREMENT | (423,095) | (435,832) | (448,951) | (462,465) |
| Budget savings required/(Surplus) | 0 | 16,424 | 13,143 | 15,105 |
| Savings included in service budgets above | (7,499) | (1,364) | 0 | 0 |
| Further savings required | 0 | (16,424) | (13,143) | (15,105) |
| Total Savings to be delivered | (7,499) | (17,788) | (13,143) | (15,105) |

Key Table 5 – Government Specific Grants

| Service and Grant Title | Funded by | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Adult Care Operations and Health | | | | | |
| Local Reform Community Voices Grant | Department of Health | 140 | 140 | 140 | 140 |
| Social Care in Prisons Grant | Department of Health | 320 | 320 | 320 | 320 |
| War Pensions Scheme Grant | Department of Health | 445 | 445 | 445 | 445 |
| Contributions | Health and other local authorities | 20,267 | 20,267 | 20,267 | 20,267 |
| | | 21,172 | 21,172 | 21,172 | 21,172 |
| Adult Commissioning and Health | | | | | |
| Local Reform Community Voices Grant | Department of Health | 364 | 364 | 364 | 364 |
| Contributions | Health and other local authorities | 2,012 | 2,012 | 2,012 | 2,012 |
| | | 2,376 | 2,376 | 2,376 | 2,376 |
| Children's Social Care | | | | | |
| Assessed and Supported Year in Employment | Department for Education | 26 | 26 | 26 | 26 |
| Youth Detention Grant | Ministry of Justice | 26 | 26 | 26 | 26 |
| Staying Put Grant | Department for Education | 171 | 170 | 170 | 170 |
| Secure Stairs Grant | NHS England | 405 | 405 | 405 | 405 |
| Youth Justice Grant | Youth Justice Board | 66 | 66 | 66 | 66 |
| Unaccompanied Asylum Seekers Grant | Home Office | 1,609 | 1,609 | 1,609 | 1,609 |
| Troubled Families Programme | Department for Communities & Local Government | 2,664 | 0 | 0 | 0 |
| Contributions | Health and other local authorities | 3,515 | 3,515 | 3,515 | 3,515 |
| | | 8,482 | 5,817 | 5,817 | 5,817 |
| Education and Learning | | | | | |
| Dedicated Schools Grant* | Education Funding Agency | 539,350 | 539,350 | 539,350 | 539,350 |
| Post 16 Funding | Education Funding Agency | 1,164 | 1,164 | 1,164 | 1,164 |
| Pupil Premium | Education Funding Agency | 24,095 | 24,095 | 24,095 | 24,095 |
| Universal Infant Free School Meals | Education Funding Agency | 8,429 | 8,429 | 8,429 | 8,429 |
| PE & Sport Grant | Department for Education | 5,622 | 5,622 | 5,622 | 5,622 |
| Teacher's Pay Grant | Education Funding Agency | 5,932 | 0 | 0 | 0 |
| Teachers Pension Grant | Education Funding Agency | 16,871 | 16,871 | 16,871 | 0 |
| Contributions | Health and other local authorities | 842 | 842 | 842 | 842 |
| Music Grant | Arts Council | 928 | 928 | 928 | 928 |
| | | 603,233 | 597,301 | 597,301 | 580,430 |
| Economy and Enterprise | | | | | |
| LAG - MIL (Making it Local 2) | RPA | 40 | 0 | 0 | 0 |
| LAG - REAL Devon | RPA | 36 | 0 | 0 | 0 |
| Growth Support Programme | ERDF | 6 | 0 | 0 | 0 |
| Innovation in Healthy Ageing | ERDF | 10 | 0 | 0 | 0 |
| Enhance Social Enterprise | ERDF | 53 | 0 | 0 | 0 |
| Local Digital Skills Partnership Catalyst | Department for Digital, Culture, Media and Sport | 54 | 0 | 0 | 0 |
| Developing Entrepreneurship in Schools | Interreg | 56 | 43 | 23 | 6 |
| Northern Devon Enterprise Centre | ERDF | 99 | 103 | 0 | 0 |
| Digital Utilisation Growth | ERDF | 168 | 167 | 0 | 0 |
| Engaging Rural Micros 2 | Department for Business, Energy & Industrial Strategy | 183 | 0 | 0 | 0 |
| Digital Skills Innovation Fund | Department for Digital, Culture, Media and Sport | 17 | 0 | 0 | 0 |
| Enterprise Advisor Network | Other | 130 | 0 | 0 | 0 |
| Enterprise Advisor Network | Other Local Authorities | 77 | 0 | 0 | 0 |
| Learn Devon - Community Learning | Skills Funding Agency | 2,153 | 2,153 | 2,153 | 2,153 |
| Learn Devon - Adult Skills Budget (inc Apprenticeships / Additional Learning Support) | Skills Funding Agency | 1,071 | 1,071 | 1,071 | 1,071 |
| Learn Devon - 14-19 EFA Funding | Education Funding Agency | 143 | 100 | 100 | 100 |
| Employment Hub | DWP | 50 | 42 | 0 | 0 |
| Trading Standards | Government Grants | 78 | 78 | 78 | 78 |
| | | 4,424 | 3,757 | 3,425 | 3,408 |

*The Dedicated Schools Grant is estimated On October 2019 pupil numbers. The final grant allocation is expected to be notified by the end of March 2020

| Service and Grant Title | Funded by | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Planning, Transportation and Environment | | | | | |
| Areas of Outstanding Natural Beauty | DEFRA | 317 | 323 | 329 | 334 |
| Areas of Outstanding Natural Beauty | Other Local Authorities | 73 | 73 | 73 | 73 |
| Environment and Sustainable Travel | Other Local Authorities | 81 | 0 | 40 | 0 |
| Environment and Sustainable Travel | Other | 120 | 42 | 1 | 0 |
| Maritime and Fisheries projects | Other Local Authorities | 12 | 12 | 12 | 12 |
| Maritime and Fisheries projects | Other | 19 | 19 | 19 | 19 |
| Taw Valley Countryside Stewardship Facilitation Fund | European Agricultural Fund | 64 | 30 | 0 | 0 |
| Woods for Water WEG | Environment Agency | 90 | 0 | 0 | 0 |
| North Devon Coastal Heritage | Heritage Lottery Fund | 9 | 0 | 0 | 0 |
| North Devon Coastal Heritage | Other Local Authorities | 3 | 0 | 0 | 0 |
| North Devon Coastal Heritage | Other | 1 | 0 | 0 | 0 |
| South West Coast Path & Country Parks | Natural England | 92 | 92 | 92 | 92 |
| Bikeability | Department of Transport | 280 | 0 | 0 | 0 |
| Sustainable Mobility Plans (INNOVASUMP) | Interreg | 10 | 3 | 0 | 0 |
| Devon & Exeter Low Carbon Energy & Transport Technology Innovator (DELETTI) | ERDF | 19 | 19 | 22 | 0 |
| Bio-Cultural Heritage Tourism | Interreg | 252 | 142 | 0 | 0 |
| TIDES | Interreg | 59 | 75 | 64 | 10 |
| Co-Adapt Connecting The Culm | Interreg | 224 | 88 | 29 | 0 |
| Connecting The Culm WEG | Environment Agency | 5 | 0 | 0 | 0 |
| Pioneering Approaches to Fisheries Management | European Maritime and Fisheries Fund | 29 | 0 | 0 | 0 |
| ELMs Trial Project | NAAONB | 40 | 0 | 0 | 0 |
| Nature's Tonic | Big Lottery Fund | 10 | 0 | 0 | 0 |
| Bus Service Operators Grant | Department of Transport | 1,146 | 1,146 | 1,146 | 1,146 |
| Transport contributions | Other Local Authorities | 230 | 130 | 57 | 57 |
| Transport contributions | Other | 994 | 994 | 994 | 994 |
| | | 4,179 | 3,188 | 2,878 | 2,737 |
| Communities and Other Services | | | | | |
| Active Devon | Sport England | 908 | 898 | 835 | 835 |
| Active Devon | Other | 240 | 0 | 0 | 0 |
| Active Devon | Other Local Authorities | 323 | 0 | 0 | 0 |
| Syrian Refugees | Home Office | 475 | 250 | 106 | 31 |
| Services For Victims of Domestic Violence | Other Local Authorities | 37 | 36 | 36 | 36 |
| Crowdfunding Site | Police & Crime Commissioner | 10 | 1 | 0 | 0 |
| Cranbrook Library | Other | 15 | 15 | 15 | 0 |
| Atlantic Youth Creative Hubs | ERDF | 65 | 40 | 0 | 0 |
| Atlantic Youth Creative Hubs | Other | 21 | 13 | 0 | 0 |
| Youth Services | Other | 34 | 34 | 34 | 10 |
| Emergency Planning | Other Local Authorities | 43 | 43 | 0 | 0 |
| | | 2,171 | 1,330 | 1,026 | 912 |
| Public Health | | | | | |
| Public Health | Department of Health | 27,509 | 27,509 | 27,509 | 27,509 |
| Nicotine Replacement Therapy Contribution | NEW Devon CCG | 650 | 650 | 650 | 650 |
| Diabetes Lifestyle Intervention Programme | Big Lottery | 206 | 243 | 95 | 0 |
| Public Mental Health | NEW Devon CCG | 20 | 0 | 0 | 0 |
| | | 28,385 | 28,402 | 28,254 | 28,159 |
| Digital Transformation and Business Support | | | | | |
| Private Finance Initiative | Department for Communities and Local Government | 6,937 | 6,937 | 6,937 | 6,937 |
| Private Finance Initiative | Exeter Diocesan Board | 1,936 | 1,953 | 1,970 | 1,987 |
| | | 8,873 | 8,890 | 8,907 | 8,924 |
| Capital Development and Waste Management | | | | | |
| Ecowaste4food | ERDF | 9 | 0 | 0 | 0 |
| 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 | RPA | 22 | 22 | 22 | 22 |
| South West Coast Path & Country Parks | Historic England | 0 | 0 | 0 | 0 |
| South West Coast Path & Country Parks | Natural England | 112 | 112 | 112 | 112 |
| | | 209 | 209 | 209 | 209 |
| Total | | 683,513 | 672,442 | 671,365 | 654,144 |

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.

Key Table 6 – Grants Paid to External Organisations

| 2019/20 £000 | Service and Grant Title | 2020/21 £000 |
|---|---|-----------------|
| Adult Care Operations & Health | | |
| 6 | Ottery Help Scheme | 6 |
| 7 | Assist Teignbridge | 7 |
| 15 | Tavistock Area Support Services | 15 |
| 12 | Blackdown Support Group | 12 |
| 23 | Age Concern Barnstaple | 25 |
| 31 | The Olive Tree Association | 32 |
| 94 | | 97 |
| Adult Commissioning and Health | | |
| 27 | Recovery Devon | 27 |
| 38 | Bridge Collective open access MH support | 38 |
| 15 | Connections open access MH support | 15 |
| 25 | Exeter CVS First step project open access MH support | 25 |
| 105 | | 105 |
| Children's Social Care | | |
| 190 | University Bursary Grants | 137 |
| | Facilitating Access to Mainstream Activities for Disabled | |
| 120 | Children's Services | 120 |
| 310 | | 257 |
| Planning, Transportation and Environment | | |
| 48 | AONB (East, South and Tamar) | 49 |
| 43 | Dorset & East Devon World Heritage site (Jurassic Coast) | 40 |
| | Cornwall & West Devon Mining Landscape World Heritage | |
| 25 | site | 25 |
| 22 | South West Energy & Environment group | 23 |
| 4 | Wembury Centre | 4 |
| 2 | Tamar Estuaries consultative forum | 2 |
| 20 | Devon Wildlife Trust Nature Improvement Area Project | 20 |
| 81 | Safety Camera Partnership (under review) | 0 |
| 40 | Devon & Cornwall Rail Partnership | 40 |
| 235 | Community bodies - Transport Ring & Ride | 248 |
| 520 | | 451 |
| Communities and Other Services | | |
| 400 | Citizens Advice Bureau | 400 |
| 25 | Devon Rape Crisis (incorporated in to contract*) | 0 |
| 6 | Teignbridge D.C - 'Places of Safety' (under review) | 0 |
| 62 | Devon Communities Together | 62 |
| 493 | | 462 |
| Highways and Traffic Management | | |
| 8 | Meldon Viaduct | 9 |
| 8 | | 9 |
| 1,530 TOTAL | | 1,381 |

* This is no longer paid as a grant but instead incorporated into the main contract

Key Table 7- Staffing Data

| | 2019/20 | Changes FTEs | 2020/21 | | Total FTEs |
|---|---------------------------|-----------------|---------------------------|------------------------------|---------------|
| | Adjusted Total FTEs | | Revenue Funded FTEs | Externally Funded FTEs | |
| Adult Care Operations and Health | 1,029 | 23 | 925 | 127 | 1,052 |
| Adult Commissioning and Health | 164 | 16 | 172 | 8 | 180 |
| Adult Care and Health | 1,193 | 39 | 1,097 | 135 | 1,232 |
| Children's Social Care | 1,064 | 35 | 830 | 269 | 1,099 |
| Education and Learning - General Fund | 114 | 5 | 119 | 0 | 119 |
| Education and Learning - School Funding | 43 | 1 | 0 | 44 | 44 |
| Children's Services | 1,221 | 41 | 949 | 313 | 1,262 |
| Communities and Other Services | 40 | 6 | 21 | 25 | 46 |
| Economy, Enterprise and Skills | 174 | 16 | 58 | 132 | 190 |
| Planning, Transportation and Environment | 176 | 3 | 155 | 24 | 179 |
| Public Health | 36 | (1) | 0 | 35 | 35 |
| Community, Health, Environment, Prosperity | 426 | 24 | 234 | 216 | 450 |
| Chief Exec, HR, Legal and Communications | 287 | 2 | 289 | 0 | 289 |
| Digital Transformation and Business Support | 523 | 14 | 537 | 0 | 537 |
| Organisational Development | 20 | 0 | 20 | 0 | 20 |
| Treasurer's Services | 286 | 10 | 178 | 118 | 296 |
| Corporate Services | 1,116 | 26 | 1,024 | 118 | 1,142 |
| Highways and Traffic Management | 267 | 16 | 283 | 0 | 283 |
| Infrastructure Development and Waste | 103 | (2) | 101 | 0 | 101 |
| Highways, Infrastructure and Waste | 370 | 14 | 384 | 0 | 384 |
| Total | 4,326 | 144 | 3,688 | 782 | 4,470 |

Adult Commissioning and Health includes 75 social work staff assigned to Devon Partnership Trust

Explanation of Movements

Adult Care Operations and Health

| | |
|---|-----------|
| TUPE of Devon direct delivery | 11 |
| Mental Capacity Act Practice Lead | 1 |
| Posts externally funded from IBCF / BCF | 6 |
| TUPE of personal care brokers | 5 |
| | 23 |

Adult Commissioning and Health

| | |
|--|-----------|
| Mental Health efficiency | (1) |
| Investment in contract and market management | 16 |
| Investment in transformation capacity | 1 |
| | 16 |

Children's Social Work and Child Protection

| | |
|--|-----------|
| Externally funded by Grant or Partnership | 22 |
| Increased capacity - SEND and service transformation | 11 |
| Increased capacity - support for Special Guardianship arrangements | 7 |
| Review of non-statutory services | (5) |
| | 35 |

Education and LearningGeneral Fund

| | |
|---|-----|
| Review of Support for Inclusion and Infrastructure | 2 |
| Increased capacity - SEND and service transformation | 6 |
| Recommissioning escorts under external contracts for pupils with additional needs | (3) |

Dedicated Schools Grant

| | |
|---|----------|
| Review of Support for Admissions and Phase Associations | 1 |
| | 6 |

Communities and Other Services

| | |
|--|----------|
| Externally funded - Active Devon project staff | 4 |
| Smarter Devon - Temporary posts | 2 |
| | 6 |

Economy, Enterprise and Skills

| | |
|--|-----------|
| Economic Development Officers | 2 |
| Externally funded - New post for various projects | 4 |
| Externally funded - New posts for Learn Devon projects | 10 |
| | 16 |

Planning Transportation and Environment

| | |
|---|----------|
| Externally funded - New posts for projects | 3 |
| Externally funded - Passenger transport NHS agreement | 2 |
| Climate Change officer | 1 |
| Restructuring and change of funding | (3) |
| | 3 |

Public Health

| | |
|---|------------|
| Externally Funded grant - Healthy New Towns | (1) |
| | (1) |

Chief Executive, HR, Legal and Communications

| | |
|--------------------------------------|----------|
| Senior Adult Social Care Lawyer | 1 |
| Recruitment and Care Leavers support | 1 |
| | 2 |

Digital Transformation and Business Support

| | |
|--|-----------|
| Transfer of PFI support to Ted Wragg Trust | (1) |
| Expansion of IT Digital Transformation service | 15 |
| | 14 |

Treasurer's Services

| | |
|--|-----------|
| Externally funded - Court of Protection posts | 2 |
| Externally funded - Accountancy Services - support for external projects | 1 |
| Externally funded - Pensions team | 1 |
| Externally funded - Devon Audit Partnership | 2 |
| Court of Protection posts | 2 |
| TUPE of Devon direct delivery | 2 |
| | 10 |

Highways and Traffic Management

| | |
|---|-----------|
| Apprentices | 1 |
| Transfer of posts from Infrastructure Development | 2 |
| Removal of temporary Externally Funded post | (1) |
| Public Rights of Way Assistant new post | 1 |
| Business Systems Coordinator new post | 1 |
| Highways Permit Scheme new posts | 12 |
| | 16 |

Infrastructure Development and Waste Management

| | |
|-------------------------------|------------|
| Transfer of posts to Highways | (2) |
| | (2) |

| | |
|--------------|------------|
| Total | 144 |
|--------------|------------|

Statement on the Robustness of the Budget Estimates, the Adequacy of the County Council's Reserves and Affordability of the Capital Strategy

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.

There is a requirement to prepare a Capital Strategy in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. The Prudential Code requires that the Chief Finance Officer report explicitly on the affordability and risk associated with the capital strategy

The preparation of the budget for 2020/21 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 pages 137 to 149.

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

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 2020/21 have been set at £14.8 millions. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided on page 102

The County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2021 is estimated at £107 millions. In addition the authority will hold a negative reserve in relation to the funding shortfall within the Dedicated Schools Grant SEND. The total for revenue reserves and balances for 2020/21, including the SEND negative reserve is forecast as £76.4 millions and £121.7 millions excluding it. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2019/20 provides an indication of the pressures facing the authority in 2020/21. In 2019/20 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 2020/21 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 2020/21. The total level of reserves and balances has been based on a comprehensive risk assessment and is judged adequate to meet all reasonable forecasts of future liabilities.

It is also my view that the Capital Strategy and associated capital programme is affordable and the risks associated have been assessed appropriately.

Mary Davis

Capital Programme Overview 2020/21 - 2024/25

The Authority's five year capital programme is the realisation of the Capital Strategy, which is shown alongside the Authority's Treasury Management and Investment Strategy.

The Capital Programme aims to maximise the Authority's infrastructure and assets necessary to support service delivery whilst minimising the impact upon the revenue budget.

Shaping the Capital Programme

The aim of the Authority's five year capital programme is to strike a balance between investment in the infrastructure needed to support service delivery, and affordability. The size of the capital programme is dependent on the continued delivery of capital receipts, the availability of internal cash resources and external (mainly grant) funding.

Using capital receipts as a funding source will ensure the Authority is 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 Authority's Capital and Treasury Management strategies with the Authority not having undertaken any new external borrowing since January 2008.

Demand for Capital Investment

The Capital Programme, in line with the Capital Strategy, aims to strike a balance between an affordable Capital programme and one that meets the needs and aspirations of the Authority's services. For 2020/21, in order to accommodate Service requirements, the capital programme shows an increase of £34.4 millions (£26.4 millions net increase after reductions). £30.0 millions (£22.1 millions net) of this sum relates to new schemes which were accepted on the basis of their fit with strategic priorities. The remaining £4.4 millions relates to the continuation of existing annual programme of works, extended into 2024/25.

Despite these new additions the Capital Programme remains affordable as they are funded by internal borrowing, the use of capital receipts, some external funding and the re-allocation of funds from other projects. This increase is detailed in Table A.

Table A

| Project | Total £'000 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|---------|---------|---------|---------|---------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| <i>New schemes recommended for inclusion</i> | | | | | | |
| Integrated Adult Care and Finance System | 4,345 | 1,374 | 1,444 | 1,527 | | |
| Climate Change | 1,500 | 500 | 1,000 | | | |
| Digitalisation ICT | 500 | 500 | | | | |
| Industrial Estates Strategy | 1,000 | 500 | 500 | | | |
| SEND Places | 19,273 | 3,373 | 6,500 | 2,000 | 7,400 | |
| Strategic Land Purchases | 1,500 | 1,500 | | | | |
| The Castle Primary School | 300 | 100 | 175 | 25 | | |
| Building Maintenance | 1,500 | 300 | 300 | 300 | 300 | 300 |
| Flood Prevention Works | 100 | | | | | 100 |
| Subtotal Demand for Capital Investment | 30,018 | 8,147 | 9,919 | 3,852 | 7,700 | 400 |

| | Total | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|---------------|--------------|--------------|--------------|--------------|--------------|
| Continuation of approved schemes into 2024/25 | | | | | | |
| DCC Operating Model ICT Replacement and Renewal | 1,500 | | | | | 1,500 |
| Vehicle & Equipment Loans Programme | 1,200 | | | | | 1,200 |
| County Farms Estate Enhancement Programme | 600 | | | | | 600 |
| Replace and Upgrade Corporate Estate | 600 | | | | | 600 |
| Flood Prevention Works | 250 | | | | | 250 |
| Property Enabling Budget | 150 | | | | | 150 |
| Grants to adapt foster carers houses | 40 | | | | | 40 |
| Youth service minor capital works | 37 | | | | | 37 |
| Subtotal Demand for Capital Investment | 4,377 | 0 | 0 | 0 | 0 | 4,377 |
| Total Demand for Capital Investment | 34,395 | 8,147 | 9,919 | 3,852 | 7,700 | 4,777 |
| Reductions | | | | | | |
| Extra Care Housing | (7,950) | (2,000) | (2,000) | (2,000) | (1,950) | |
| NET Increase to Capital Programme | 26,445 | 6,147 | 7,919 | 1,852 | 5,750 | 4,777 |
| Financed by: | | | | | | |
| Borrowing - Internal | 8,450 | (900) | 1,275 | (293) | 7,068 | 1,300 |
| Capital Receipts - General | 13,722 | 3,874 | 6,544 | 1,145 | (1,318) | 3,477 |
| External Grant | 4,273 | 3,173 | 100 | 1,000 | 0 | 0 |
| Total | 26,445 | 6,147 | 7,919 | 1,852 | 5,750 | 4,777 |

Table B shows the anticipated future capital receipts, net of disposal costs. There is a risk that capital receipts may not be realised in line with these original estimates. In which case schemes may need to be rescheduled if alternative sources of funding cannot be identified.

Table B

| | Estimated opening balance £'000 | Forecast receipts £'000 | Forecast spend £'000 | Estimated closing balance £'000 |
|---------|------------------------------------|----------------------------|-------------------------|------------------------------------|
| 2020/21 | 4,626 | 16,523 | (12,040) | 9,109 |
| 2021/22 | 9,109 | 10,829 | (11,885) | 8,053 |
| 2022/23 | 8,053 | 8,680 | (5,164) | 11,569 |
| 2023/24 | 11,569 | 5,200 | (6,531) | 10,238 |
| 2024/25 | 10,238 | 3,000 | (2,954) | 10,284 |

Availability of Resources

The capital programme continues to be focussed on maximising leverage of external funding to support growth across the County. A number of external funding bids have been, and will be, submitted for funding from various sources which, subject to approval, will be added to the capital programme if they are successful.

The Local Transport Plan (LTP) maintenance figures for the period 2020/21 and 2021/22, reflect the indicative needs based formula funding and incentive funding allocations, as announced by the Department for Transport. As allocations for the period 2022/23 to 2024/25 have not yet been announced, the same level as 2021/22 has been assumed in the capital programme, at this stage.

Risk Assessment

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

| Risk Title: | Inherent Score | Current (Mitigated) Score | Mitigations |
|--|--|---------------------------------------|--|
| Capital Scheme costs are higher than estimated | Impact: 3 Likelihood 4 12 – Medium | Impact: 2 Likelihood: 3 6 – Low | <ul style="list-style-type: none"> • Experts' advice and qualified professionals are engaged early on • Works which may be susceptible to seasonal variations are programmed during less volatile seasons wherever possible • Projects and the economic climate monitored on a regular basis, and contingency built in to major schemes to lessen the overall impact • Unlikely as legal engaged early to draft contracts with default terms clearly communicated and understood • Project boards set up for Major Schemes to try to identify synergies early |
| Risk Description Due to: <ul style="list-style-type: none"> • Inaccurate or overly optimistic original estimates • Unexpected events causing increased costs (either inside or outside of DCC control) • Economic factors • Default event by either party resulting in litigation • Agreed changes to original scheme scope • Scheme costs may increase, resulting in: <ul style="list-style-type: none"> ○ Unexpected gap to be financed ○ Default fines ○ Reduction in funds available to other schemes ○ Increased borrowing | | | |

| Risk Title: | Inherent Score | Current (Mitigated) Score | Mitigations |
|--|--|---------------------------------------|--|
| External funding resources are not received | Impact: 3 Likelihood 4 12 – Medium | Impact: 2 Likelihood: 3 6 – Low | <ul style="list-style-type: none"> The level of internal borrowing required to finance the capital programme is monitored, and in accordance with borrowing limits Capital programme is re-prioritised. Capital projects re-engineered, paused or deferred External funding balances are monitored monthly, including capital receipts Triggers are monitored for S106 and CIL payments Bi monthly monitoring of the capital programme by the Programme Group Regular monitoring by County Treasurer |
| Risk Description Due to: <ul style="list-style-type: none"> Expectations around future funding based on prior year funding and current economic climate Lack of signed agreements from central government and other bodies Changes to central government priority/policy determining where funds are directed or the funds available to bid for Capital funding, The expected levels of funding may not be achieved, resulting in a shortfall for the delivery of planned works/schemes. | | | |

| Risk Title: | Inherent Score | Current (Mitigated) Score | Mitigations |
|--|--|---------------------------------------|--|
| Capital Programme is not delivered as planned | Impact: 2 Likelihood 6 12 – Medium | Impact: 2 Likelihood: 4 8 – Low | <ul style="list-style-type: none"> Development of a medium-term capital programme (MTCP) that can realistically be delivered to the time scales agreed Mitigate delays by bringing forward the planned start dates of future projects in the MTCP The Capital Programme Group provide challenge (including to financial forecasts) and support to the Capital Programme delivery Regular monitoring by County Treasurer Projects are monitored at a service level and board level |
| Risk Description Delays and longer-term delivery dates, particularly for Major Schemes with multiple funding and partners, due to: <ul style="list-style-type: none"> Time taken to achieve planning consent, public consultation, environmental factors Availability of resource / specialist contractors Design re-engineering Contractual variations Seasonal variations | | | |

| Risk Title: | Inherent Score | Current (Mitigated) Score | Mitigations |
|--|---|---------------------------------------|--|
| Capital Receipts arising later or lower than forecast | Impact: 3 Likelihood: 4 12 – Medium | Impact: 2 Likelihood: 4 8 – Low | <ul style="list-style-type: none"> Alternative funding sources, for example internal borrowing may be sought Capital schemes may be deferred, if receipts are generated later than forecast, or for a reduced sum. Proceeds from the sale of assets are closely monitored |
| Risk Description Forecast capital receipts are estimated by internal officers and advisors based on local market conditions. Receipts may be lower than expected or not realised, including due to: <ul style="list-style-type: none"> Sale not taking place Limited supply Market climate Resulting in a need to reprioritise schemes. | | | |

| Risk Title: | Inherent Score | Current (Mitigated) Score | Mitigations |
|--|---|---------------------------------------|--|
| Capital Project aborted due to external forces | Impact: 3 Likelihood: 4 12 – Medium | Impact: 2 Likelihood: 3 6 – Low | <ul style="list-style-type: none"> Effort is made to ensure that a project is not aborted Alternatives will be investigated to ensure service needs are met by meeting capital objectives, whilst minimising a risk that abortive capital costs impact the revenue budget If it is not possible to avoid aborting the project, the normal revenue mitigations of in-year savings and use of earmarked reserves and balances, will be used Process re-engineering or pausing a project whilst alternative funding sources are identified are possible mitigations allowable under the Local Government Code of Practice Monitoring by Capital Programme Group Regulator monitoring by County Treasurer Monitoring by individual project and programme groups |
| Risk Description Should funding be revoked, or an alternative solution be preferred, a capital project may be aborted. This can present an opportunity for resource to be redirected if the project is no longer needed (no adverse impact), or to re-prioritise, or identify alternative funding source. A project may also be aborted as a result of a change in legislation for the service, for example requiring an alternative delivery method, or if an alternative solution is preferred. | | | |

| | | | |
|---|---|--|---|
| <p>Risk Title:</p> <p>Risk of government prioritising funding to other geographical areas</p> | <p>Inherent Score</p> <p>Impact: 3 Likelihood: 4 12 – Medium</p> | <p>Current (Mitigated) Score</p> <p>Impact: 2 Likelihood: 4 8 – Low</p> | <p>Mitigations</p> <ul style="list-style-type: none"> • Projects and the economic climate monitored on a regular basis. • Contingency built in to major schemes to lessen the overall impact. • The level of internal borrowing required to finance the capital programme is monitored, and in accordance with borrowing limits. • External funding balances are monitored monthly, including capital receipts. • Triggers are monitored for S106 and CIL payments. • Monitoring of the capital programme by the Capital Programme Group. • Regulator monitoring by County Treasurer. • Monitoring by individual project and programme groups. |
| <p>Risk Description</p> <p>Central government priority/policy determines where funds are directed or funds available to bid for. Action taken by Central Government to mitigate the effects of the withdrawal from the EU, or for example the redirection of funding to the North of the UK, may result in a reduction in funding for the South West or less opportunity for the Authority to bid for funding.</p> | | | |

The Medium Term Capital Programme

The County will be investing over £493 millions in Devon over the next 5 years. The latest forecast of the programme analysed by funding sources is shown in Table C. The funding available in forecast years will change as Government policies and grant allocations are published.

Table C - Medium Term Capital Programme Summary £493.463 millions

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adult Care and Health | 9,993 | 9,820 | 8,931 | 7,367 | 7,267 | 43,378 |
| Children's Services | 2,428 | 2,395 | 2,395 | 2,095 | 1,994 | 11,307 |
| Communities, Public Health, Environment and Prosperity | 40,990 | 64,818 | 41,917 | 24,941 | 7,397 | 180,063 |
| Corporate Services | 5,085 | 5,514 | 3,196 | 2,650 | 2,650 | 19,095 |
| Highways, Infrastructure Development and Waste | 55,997 | 49,702 | 44,657 | 44,632 | 44,632 | 239,620 |
| Total | 114,493 | 132,249 | 101,096 | 81,685 | 63,940 | 493,463 |

| Funding Source | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Borrowing - Internal | 6,935 | 10,122 | 1,846 | 7,500 | 100 | 26,503 |
| Borrowing - VELP | 1,412 | 1,451 | 1,514 | 1,799 | 1,609 | 7,785 |
| Capital Receipts - General | 11,849 | 11,681 | 5,164 | 6,531 | 2,954 | 38,179 |
| Capital Receipts - IID | 191 | 204 | 0 | 0 | 0 | 395 |
| Direct Revenue Funds - Services | 646 | 608 | 523 | 523 | 523 | 2,823 |
| External Funding - Contributions | 1,831 | 410 | 625 | 150 | 150 | 3,166 |
| External Funding - Grants | 85,508 | 106,221 | 88,623 | 64,981 | 58,604 | 403,937 |
| External Funding - S106 | 6,121 | 1,552 | 2,801 | 201 | 0 | 10,675 |
| Total | 114,493 | 132,249 | 101,096 | 81,685 | 63,940 | 493,463 |

Detailed Medium Term Capital Programme 2020/21 - 2024/25

The following tables detail the Medium Term Capital Programme for each service area.

This table does not show expenditure on capital projects currently programmed in financial year 2019/20 which may be deferred to 2020/21 or future years owing to changes in project delivery timescales.

Adult Care and Health

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Adult Commissioning and Health | | | | | | |
| Adult Care & Health Business Support for Innovation | 374 | 152 | 0 | 0 | 0 | 0 |
| Adult Commissioning and Health Total | | 152 | 0 | 0 | 0 | 0 |
| Adult Care Operations and Health | | | | | | |
| Barnstaple Hub | 3,000 | 1,000 | 939 | 0 | 0 | 0 |
| Care Teams Accommodation & Equipment | 201 | 80 | 70 | 50 | 50 | 0 |
| Disabled Facilities Grant | | 7,267 | 7,267 | 7,267 | 7,267 | 7,267 |
| Integrated Adult Care & Finance System | | 1,374 | 1,444 | 1,527 | 0 | 0 |
| Technology for Care Homes | 40 | 20 | 0 | 0 | 0 | 0 |
| Works for Provider Services | 411 | 100 | 100 | 87 | 50 | 0 |
| Adult Care Operations and Health Total | | 9,841 | 9,820 | 8,931 | 7,367 | 7,267 |
| Adult Care & Health Total | | 9,993 | 9,820 | 8,931 | 7,367 | 7,267 |
| Financed by: | | | | | | |
| Capital Receipts - General | | 2,374 | 2,383 | 1,527 | 0 | 0 |
| External Funding - Grants | | 7,619 | 7,437 | 7,404 | 7,367 | 7,267 |
| Total | | 9,993 | 9,820 | 8,931 | 7,367 | 7,267 |

* Scheme Approvals have been included for individual projects.

Children's Services

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Children's Social Care | | | | | | |
| Grants to adapt foster carers houses | | 40 | 40 | 40 | 40 | 40 |
| Children's Social Care Total | | 40 | 40 | 40 | 40 | 40 |
| Education & Learning | | | | | | |
| Vehicle Equipment Loans Pool (VELP) - Schools | | 200 | 200 | 200 | 200 | 200 |
| Devolved Formula Capital (DFC) | | 1,487 | 1,455 | 1,455 | 1,155 | 1,054 |
| External contribution to school projects | | 150 | 150 | 150 | 150 | 150 |
| External Grants to school projects | | 50 | 50 | 50 | 50 | 50 |
| School budget share contribution to school projects | | 500 | 500 | 500 | 500 | 500 |
| Orchard Manor School - Additional accommodation FF&E | 10 | 1 | 0 | 0 | 0 | 0 |
| Education & Learning Total | | 2,388 | 2,355 | 2,355 | 2,055 | 1,954 |
| Childrens Services Total | | 2,428 | 2,395 | 2,395 | 2,095 | 1,994 |
| Financed by: | | | | | | |
| Borrowing - VELP | | 200 | 200 | 200 | 200 | 200 |
| Capital Receipts - General | | 40 | 40 | 40 | 40 | 40 |
| Direct Revenue Funds - Services | | 500 | 500 | 500 | 500 | 500 |
| External Funding - Contributions | | 150 | 150 | 150 | 150 | 150 |
| External Funding - Grants | | 1,538 | 1,505 | 1,505 | 1,205 | 1,104 |
| Total | | 2,428 | 2,395 | 2,395 | 2,095 | 1,994 |

* Scheme Approvals have been included for individual projects.

Community, Health, Environment and Prosperity

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Economy, Enterprise and Skills | | | | | | |
| Devon & Somerset - Superfast broadband programme | 13,500 | 200 | 2,661 | 0 | 0 | 0 |
| Industrial Estates Strategy | | 500 | 500 | 0 | 0 | 0 |
| Mullacott - Industrial estate road | 470 | 189 | 190 | 0 | 0 | 0 |
| Okehampton East Business Park | 2,159 | 123 | 262 | 0 | 0 | 0 |
| Roundswell South Business Park & Northern Devon Enterprise Centre | 7,414 | 2,621 | 398 | 0 | 0 | 0 |
| Strategic Land Purchase | | 1,500 | 0 | 0 | 0 | 0 |
| Economy, Enterprise and Skills Total | | 5,133 | 4,011 | 0 | 0 | 0 |
| Planning, Transportation and Environment | | | | | | |
| Large and Major Highway Schemes | | | | | | |
| A379 Sandy Park Junction Newcourt, Exeter | 2,680 | 2 | 2 | 1 | 0 | 0 |
| A382 Widening, Phase 1, Newton Abbot | 13,050 | 3,838 | 0 | 0 | 0 | 0 |
| North Devon Link Road | 93,115 | 10,145 | 34,359 | 31,019 | 9,954 | 0 |
| Safer Roads Fund A3123, North Devon | 2,200 | 1,100 | 1,100 | 0 | 0 | 0 |
| Sherford Main Street NPIF | 5,750 | 750 | 0 | 0 | 0 | 0 |
| South Devon Highway | 117,998 | 1,216 | 376 | 1,379 | 0 | 0 |
| Large and Major Highway Schemes Total | | 17,051 | 35,837 | 32,399 | 9,954 | 0 |
| Sustainable Transport | | | | | | |
| Around Devon Cycle Route IID - Seaton to Colyford | | 104 | 0 | 0 | 0 | 0 |
| Around Devon Cycle Route - Teign Estuary | | 169 | 0 | 0 | 0 | 0 |
| Cycling - Exe Estuary | | 293 | 0 | 0 | 0 | 0 |
| Marsh Barton Station | 7,400 | 1,318 | 1,550 | 200 | 0 | 0 |
| Okehampton East Station | | 0 | 204 | 0 | 0 | 0 |
| Sustainable Transport Total | | 1,884 | 1,754 | 200 | 0 | 0 |
| LTP | | | | | | |
| Local Transport Plan (LTP) Integrated transport block | | 4,101 | 3,601 | 3,601 | 3,601 | 3,601 |
| LTP Total | | 4,101 | 3,601 | 3,601 | 3,601 | 3,601 |
| Environment | | | | | | |
| Connecting the Culm (part of Co-Adapt) | | 150 | 165 | 16 | 0 | 0 |
| Flood Prevention Works | | 267 | 350 | 350 | 350 | 350 |
| Ivybridge - Flood improvement scheme | | 82 | 0 | 0 | 0 | 0 |
| Stokeinteignhead - Flood improvement scheme | | 150 | 0 | 0 | 0 | 0 |
| Woods for Water Project | 167 | 56 | 0 | 0 | 0 | 0 |
| Environment Total | | 705 | 515 | 366 | 350 | 350 |

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Schools Expansion | | | | | | |
| Advanced Design Fees | | 111 | 0 | 0 | 0 | 0 |
| Axminster Community Primary (Academy) - Expansion Green Lodge | 453 | 48 | 0 | 0 | 0 | 0 |
| Bassetts Farm Primary School - Expansion Ph 2 | 504 | 54 | 0 | 0 | 0 | 0 |
| Bovey Tracey Primary School - Expansion | 160 | 78 | 0 | 0 | 0 | 0 |
| Charlton Lodge, Tiverton - SEND Provision | 4,479 | 30 | 0 | 0 | 0 | 0 |
| Clyst St Mary Primary School - additional classroom / support accommodation | 470 | 8 | 0 | 0 | 0 | 0 |
| Confirmed Basic Need Allocation | 5,844 | 1,416 | 5,831 | 0 | 0 | 0 |
| Cranbrook Education Campus - Early Years Expansion | 56 | 21 | 0 | 0 | 0 | 0 |
| Cranbrook Education Campus (Academy) - New build | 1,835 | 266 | 0 | 0 | 0 | 0 |
| Cullompton Community College - Expansion | 1,591 | 800 | 0 | 0 | 0 | 0 |
| Ellen Tinkham School - Expansion | 380 | 380 | 0 | 0 | 0 | 0 |
| Energy cost reduction initiative | 69 | 0 | 60 | 0 | 0 | 0 |
| Estimated Basic Need | | 0 | 2,000 | 2,000 | 2,000 | 2,000 |
| Exmouth Community College Expansion | 3,449 | 906 | 2,500 | 0 | 0 | 0 |
| Honiton Primary School - Phased Expansion | 2,700 | 500 | 0 | 0 | 0 | 0 |
| Loddiswell Primary School - Replacement School | 2,889 | 17 | 0 | 0 | 0 | 0 |
| Mill Water School - Extention | 9,608 | 0 | 115 | 0 | 0 | 0 |
| Okehampton College (Academy) – Additional 6th Form Provision | 2,010 | 50 | 0 | 0 | 0 | 0 |
| Okehampton Primary School & Foundation Unit (Academy) - Additional Classroom | 651 | 4 | 0 | 0 | 0 | 0 |
| Proposed New Primary School West Barnstaple | 1,630 | 153 | 0 | 0 | 0 | 0 |
| SEND Special Provision Capital Fund | 162 | 163 | 0 | 0 | 0 | 0 |
| South Molton Infants - Expansion to 420 | 2,429 | 1,109 | 703 | 0 | 0 | 0 |
| St Andrew's Primary School, Cullompton (Academy) - Phased Expansion to PAN 60 | 1,444 | 17 | 0 | 0 | 0 | 0 |
| Torrige Academy (previously Springfield Court Bideford) - Adaptions for children with special educational needs | 155 | 0 | 23 | 0 | 0 | 0 |
| SEND Programme | | | | | | |
| SEND Places (new build and expansion) | 13,996 | 428 | 4,050 | 2,000 | 7,400 | 0 |
| Bidwell Brook - Expansion | 2,000 | 708 | 1,250 | 0 | 0 | 0 |
| River Dart Academy - Dartington School site development | 771 | 0 | 100 | 0 | 0 | 0 |
| Pathfield Additional Accomodation | 560 | 540 | 0 | 0 | 0 | 0 |
| Orchard Manor Special School, expansion | 3,400 | 1,697 | 1,100 | 0 | 0 | 0 |
| SEND Total | | 3,373 | 6,500 | 2,000 | 7,400 | 0 |
| Schools Expansion Total | | 9,504 | 17,732 | 4,000 | 9,400 | 2,000 |

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Commissioning Services For Communities | | | | | | |
| Cranbrook library | 230 | 230 | 0 | 0 | 0 | 0 |
| Exeter Central Library - Development | 4,695 | 19 | 0 | 0 | 0 | 0 |
| Libraries Improvement Programme | | 21 | 0 | 0 | 0 | 0 |
| Library estate RFID / self service | | 123 | 0 | 0 | 0 | 0 |
| Library modernisation partnership schemes - Bideford | 1,580 | 930 | 0 | 0 | 0 | 0 |
| Library modernisation Programme | | 40 | 80 | 0 | 0 | 0 |
| Vehicle Equipment Loans Pool - Fleet management | | 1,212 | 1,251 | 1,314 | 1,599 | 1,409 |
| Youth service minor capital works | | 37 | 37 | 37 | 37 | 37 |
| Commissioning Services For Communities Total | | 2,612 | 1,368 | 1,351 | 1,636 | 1,446 |
| Communities, Health, Environment & Prosperity Total | | 40,990 | 64,818 | 41,917 | 24,941 | 7,397 |

Financed by:

| | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|--------------|
| Borrowing - Internal | 2,700 | 5,478 | 1,821 | 7,500 | 100 |
| Borrowing - VELP | 1,212 | 1,251 | 1,314 | 1,599 | 1,409 |
| Capital Receipts - General | 4,927 | 5,662 | 447 | 3,841 | 264 |
| Capital Receipts - IID | 191 | 204 | 0 | 0 | 0 |
| Direct Revenue Funds - Services | 146 | 108 | 23 | 23 | 23 |
| External Funding - Contributions | 1,681 | 188 | 475 | 0 | 0 |
| External Funding - Grants | 24,012 | 50,375 | 35,036 | 11,777 | 5,601 |
| External Funding - S106 | 6,121 | 1,552 | 2,801 | 201 | 0 |
| Total | 40,990 | 64,818 | 41,917 | 24,941 | 7,397 |

* Scheme Approvals have been included for individual projects.

Corporate Services

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|--|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Information and Communications Technology | | | | | | |
| DCC Operating Model ICT Replacement and Renewal | | 1,750 | 1,750 | 1,500 | 1,000 | 1,000 |
| Digitisation ICT | | 500 | 0 | 0 | 0 | 0 |
| Information and Communications Technology Total | | 2,250 | 1,750 | 1,500 | 1,000 | 1,000 |
| County Farms Estate | | | | | | |
| County Farms Estate Enhancement Programme | | 600 | 600 | 600 | 600 | 600 |
| County Farms Estate Total | | 600 | 600 | 600 | 600 | 600 |
| Corporate Property Estate | | | | | | |
| Building Maintenance | | 300 | 300 | 300 | 300 | 300 |
| Climate Change | | 500 | 1,000 | 0 | 0 | 0 |
| Property Enabling Budget | | 150 | 150 | 150 | 150 | 150 |
| Replace and Upgrade Corporate Estate | | 0 | 600 | 600 | 600 | 600 |
| Solar Carports (DELETTI) | 1,256 | 85 | 1,114 | 46 | 0 | 0 |
| Strategic Centre Improvement - Lucombe House | 2,400 | 1,200 | 0 | 0 | 0 | 0 |
| Corporate Property Estate Total | | 2,235 | 3,164 | 1,096 | 1,050 | 1,050 |
| Corporate Services Total | | 5,085 | 5,514 | 3,196 | 2,650 | 2,650 |
| Financed by: | | | | | | |
| Borrowing - Internal | | 500 | 1,000 | 0 | 0 | 0 |
| Capital Receipts - General | | 4,508 | 3,596 | 3,150 | 2,650 | 2,650 |
| External Funding - Contributions | | 0 | 72 | 0 | 0 | 0 |
| External Funding - Grants | | 77 | 846 | 46 | 0 | 0 |
| Total | | 5,085 | 5,514 | 3,196 | 2,650 | 2,650 |

* Scheme Approvals have been included for individual projects.

Highways, Infrastructure Development and Waste

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|--|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Schools Maintenance and Improvements | | | | | | |
| Appledore School - Block 03 & 07 renew flooring | 13 | 3 | 0 | 0 | 0 | 0 |
| Bassetts Farm Primary School - Block 01 replace rooflights and replace flat roof | | 209 | 52 | 0 | 0 | 0 |
| Bassetts Farm Primary School - Block 01 replace warm air heaters for wet systems | 262 | 53 | 0 | 0 | 0 | 0 |
| Berrynarbor Church of England Primary School - Block 03 render damp internal walls | | 26 | 6 | 0 | 0 | 0 |
| Bishops Tawton Primary School - Block 04 gable end strengthening works and damp | | 26 | 6 | 0 | 0 | 0 |
| Bishopsteignton School - Block 01 ceiling and void work | | 56 | 14 | 0 | 0 | 0 |
| Bolham Community Primary School - Block 01 replace lighting & rewire old part of building. | 39 | 8 | 0 | 0 | 0 | 0 |
| Bow Community Primary School - Block 01 replacement windows | | 52 | 13 | 0 | 0 | 0 |
| Buckland Brewer Primary School - Block 01 replace fire alarm system | 25 | 5 | 0 | 0 | 0 | 0 |
| Burlescombe Church Of England Primary School - replacement oil store block 01 ventilation | | 38 | 9 | 0 | 0 | 0 |
| Caen Community Primary - Block 02 CO detection / kitchen ventilation & block 09 underfloor heating | | 25 | 6 | 0 | 0 | 0 |
| Canada Hill Community Primary School - Block 01 replace windows in hall | | 16 | 3 | 0 | 0 | 0 |
| Chudleigh Church of England Community Primary School - Block 01 replacement of heating pipework | | 49 | 12 | 0 | 0 | 0 |
| Colyton Primary School - Block 03 electrical upgrade, rewire & replacement heater | 20 | 4 | 0 | 0 | 0 | 0 |
| Culmstock Primary School - Block 1 roof corridor & replace flat roof | | 21 | 5 | 0 | 0 | 0 |
| DDA projects (contingency) | | 175 | 150 | 0 | 0 | 0 |
| Decoy Primary School - Block 01 renew flat roof | | 26 | 6 | 0 | 0 | 0 |
| Denbury Primary School - Block 02 & 03 replacement | | 86 | 0 | 0 | 0 | 0 |
| East Anstey Primary School - Block 01 roof purlin refurbishment | | 8 | 0 | 0 | 0 | 0 |
| Ellen Tinkham School - Block 01 rewire & replace luminaires | 486 | 11 | 0 | 0 | 0 | 0 |
| Ermington Primary School - Blocks 01, 02 & 03 replacement doors & windows | 27 | 10 | 0 | 0 | 0 | 0 |
| Grant) | 55 | 0 | 3,500 | 3,500 | 3,500 | 3,500 |
| Georgeham Church of England (VC) Primary School - Blocks 01, 02 & 04 provide emergency lighting. Block 04 replace oil storage tank | 49 | 6 | 0 | 0 | 0 | 0 |
| | | 913 | 3,782 | 3,500 | 3,500 | 3,500 |

| Project | *Total Scheme Approval | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|------------------------------|--------------|------------|----------|----------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Great Torrington Bluecoat Church of England Primary School - Block 01 pitched roof replacement | | 247 | 61 | 0 | 0 | 0 |
| Great Torrington Bluecoat Church of England Primary School, balcony remedial work | | 4 | 0 | 0 | 0 | 0 |
| Gulworthy Primary School - Boiler replacement | 31 | 4 | 0 | 0 | 0 | 0 |
| Hayward's Primary School - Block 01 roofing | | 136 | 34 | 0 | 0 | 0 |
| Honiton Primary School - Block 01 flat roof improvement works | 40 | 30 | 7 | 0 | 0 | 0 |
| Ifracombe Church Of England Junior School - Kitchen ventilation inc asbestos removal | | 42 | 10 | 0 | 0 | 0 |
| Kentisbeare Church of England Primary School - Block 01 renew tiles, flashing & fascia | | 16 | 0 | 0 | 0 | 0 |
| Kentisbeare Church of England Primary School - DDA works | | 6 | 0 | 0 | 0 | 0 |
| Kentisbury Primary School - New sewage plant | | 13 | 0 | 0 | 0 | 0 |
| Kilminster Primary School - Block 01 replace boiler | 46 | 30 | 7 | 0 | 0 | 0 |
| King Edward VI Community College - Block 01 & 02 replace windows & replace fan convectors. Block 05 replace wet heating. Block 39 roof | 104 | 87 | 0 | 0 | 0 | 0 |
| King Edward VI Community College - Block 06 & 15 replacement | 63 | 50 | 0 | 0 | 0 | 0 |
| Kingsacre Primary School - Block 01 fit aluminium doors & frames. | | 3 | 0 | 0 | 0 | 0 |
| Kingsbridge Community Primary School - Block 11 renew pitched roof coverings, eaves & guttering. Block 01 replace hall windows | 441 | 0 | 0 | 0 | 0 | 0 |
| Ladysmith Infant & Nursery School - Block 01 renew heating pipes. Block 03 renew gas heaters | 1,088 | 59 | 14 | 0 | 0 | 0 |
| Lanscove Primary School - Block 01 cladding & Block 04 rooflight | 17 | 104 | 25 | 0 | 0 | 0 |
| Lanscove Primary School - Boiler replacement | 81 | 8 | 0 | 0 | 0 | 0 |
| Lympstone Church of England Primary School - Blocks 01 & 04 fire alarm | | 12 | 0 | 0 | 0 | 0 |
| Manor Primary School, Ivybridge - Block 07 rewire. Block 07 renew wet heating and CO detection. Block 06 CO detection. | | 12 | 2 | 0 | 0 | 0 |
| Marland School - Blocks 02 & 06 replacement | 91 | 303 | 75 | 0 | 0 | 0 |
| Marwood School - Structural improvements to stone wall | 30 | 11 | 0 | 0 | 0 | 0 |
| MUMIS (contingency) | | 85 | 90 | 0 | 0 | 0 |
| Orchard Manor School - Roofing works | | 8 | 0 | 0 | 0 | 0 |
| Orchard Manor School - Upgrade gas safety system. CO detection & auto shutoff | | 8 | 0 | 0 | 0 | 0 |
| Parracombe Church of England Primary School - Culvert works | 54 | 7 | 0 | 0 | 0 | 0 |
| Payhembury Church of England Primary School - Block 01 renew render, replace 2 windows, investigate damp & internal walls remedial work | | 13 | 0 | 0 | 0 | 0 |
| Schools capital maintenance (contingency) | | 359 | 200 | 0 | 0 | 0 |
| SEND - Accessible adaptations | | 150 | 0 | 0 | 0 | 0 |
| | | 1,807 | 525 | 0 | 0 | 0 |

| Project | *Total Scheme Approval £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Shaugh Prior Primary School - Disability discrimination act (DDA) adaptations | | 10 | 0 | 0 | 0 | 0 |
| Southmead School - Block 01 flat roof refurbishment | 241 | 95 | 0 | 0 | 0 | 0 |
| Kingsteignton - Block 01 boiler replacement. Block 01 CO detection. Block 04 CO detection. | 40 | 104 | 26 | 0 | 0 | 0 |
| Stoke Hill Infants & Nursery School - Block 04 replacement windows | 52 | 27 | 6 | 0 | 0 | 0 |
| Stoke Hill Infants & Nursery School - Replacement of blocks 02 & 05 | | 53 | 0 | 0 | 0 | 0 |
| Stoke Hill Junior School - Block 01 flat roof remedial works | 38 | 146 | 36 | 0 | 0 | 0 |
| Stoke Hill Junior School - Block 03 replace metal roofing & replace internal suspending ceilings | | 30 | 0 | 0 | 0 | 0 |
| Stokenham Area Primary School - Blocks 01 & 02 replace windows. Block 02 replace door and frame | | 21 | 5 | 0 | 0 | 0 |
| Tavistock Primary & Nursery School - Block 02 replacement | | 300 | 0 | 0 | 0 | 0 |
| The Castle Primary School / Elmore Church, Tiverton - Replacement wall | 73 | 200 | 375 | 25 | 0 | 0 |
| The Lampard Community School - Block 01 replace fan convector and replace water heater | | 40 | 9 | 0 | 0 | 0 |
| Two Moors Primary School - Block 04 removal of ACM, replace suspended ceilings. Replace fascia cladding panels. Fit aluminium doors, frames & replace flat roof | 481 | 503 | 300 | 0 | 0 | 0 |
| West Hill Primary School - Block 01 & 03 replace luminaires | | 19 | 4 | 0 | 0 | 0 |
| Whimple Primary School - Block 01 replace windows. Block 04 replace windows and external doors. | 269 | 53 | 13 | 0 | 0 | 0 |
| Whitchurch Community Primary School - Block 01 pitched roof replacement | | 0 | 20 | 0 | 0 | 0 |
| Willand School - Block 01 electrical works | 152 | 31 | 0 | 0 | 0 | 0 |
| Withycombe Raleigh Church of England Primary School - Renew tarmac in staff carpark | | 8 | 0 | 0 | 0 | 0 |
| Yeo Valley Primary School (Academy) - Re-roof pitched & flat roof areas. Upgrade of the fire alarm system | 1,461 | 7 | 0 | 0 | 0 | 0 |
| | | 1,647 | 794 | 25 | 0 | 0 |
| Schools Maintenance and Improvements Total | | 4,367 | 5,101 | 3,525 | 3,500 | 3,500 |
| Waste | | | | | | |
| Ivybridge recycling centre | 3,703 | 6 | 0 | 0 | 0 | 0 |
| Waste Total | | 6 | 0 | 0 | 0 | 0 |
| Highways | | | | | | |
| Local Transport Plan (LTP) Maintenance | | 48,155 | 41,132 | 41,132 | 41,132 | 41,132 |
| Street Lighting LED | 8,673 | 3,469 | 3,469 | 0 | 0 | 0 |
| Highways Total | | 51,624 | 44,601 | 41,132 | 41,132 | 41,132 |
| Highways, Infrastructure Development and Waste Total | | 55,997 | 49,702 | 44,657 | 44,632 | 44,632 |
| Financed by: | | | | | | |
| Borrowing - Internal | | 3,735 | 3,644 | 25 | 0 | 0 |
| External Funding - Grants | | 52,262 | 46,058 | 44,632 | 44,632 | 44,632 |
| Total | | 55,997 | 49,702 | 44,657 | 44,632 | 44,632 |

* Scheme Approvals have been included for individual projects.

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Service Budgets

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Leadership Group Commentary

2019 – a year dominated by Brexit and political unease, culminating in December’s General Election - have all added to an unprecedented level of financial uncertainty for local government.

The Provisional Local Government Settlement, announced in December, marked the end of a four-year settlement to a one-year spending round, which will potentially make longer term financial planning trickier for local government.

Adult and children’s service in particular are experiencing significant financial pressures, with a shortfall in grant funding related to Special Educational Needs and Disabilities a major concern for this year and into the future.

Against this backdrop of financial uncertainty coupled with growing demand for services, our Cabinet has agreed a budget that will see a rise of 8.7 per cent in spending on children’s services, adult care, health and roads.

In total, our spending is due to rise by £43.1 millions from £498.1 millions in 2019/20 to £541.2 millions in 2020/21.

The Council remains the largest local authority in the south west, working with our partners and communities to ensure the people of Devon live their lives well and receive the support they need, at the right time and in the right way.

Our politicians continue to fight Devon’s corner, to get the voice of residents heard at a national level as we strive for fairer funding for Devon, the south west and the local government community.

And with the UK due to leave the EU this year, the Council is doing everything it can to make sure we are as ready as we can be, together with our partners, to respond to the outcomes and ensure our communities and businesses are supported and continue to thrive, and make the most of any opportunities presented by Brexit.

It’s a complex financial situation but by making the most of our experience, professionalism, dedication, initiative and care, we are determined to ensure the very best for the people of Devon.

Adult Care and Health

How the 2020/21 Budget has been built up

| | 2019/20 Adjusted Budget | Changes | 2020/21 Outturn Budget |
|---|--|----------------|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Adult Care Operations and Health | 211,089 | 21,832 | 232,921 |
| Adult Commissioning and Health | 25,455 | 1,882 | 27,337 |
| Total | 236,544 | 23,714 | 260,258 |
| | | | Change |
| | | | £' 000 |
| Reasons for changes in Revenue Budget | | | |
| Technical and Service Changes | | | |
| Inflation | | | 10,278 |
| Adult Services demographic and demand pressures | | | 18,173 |
| Net cost of additional investment in contract and market management | | | 321 |
| | | | 28,772 |
| Savings Strategies | | | |
| Efficiencies in Older People placement costs | | | (500) |
| Supporting people with disabilities to live more independently and to reduce their dependence over time | | | (1,843) |
| Target reduction in staffing and agency spend/Extension of vacancy management | | | (160) |
| Management and Support reductions | | | (203) |
| Robust management of demographic and demand pressures | | | (2,352) |
| | | | (5,058) |
| Total | | | 23,714 |

Analysis of Total Expenditure 2020/21

| | Gross Expenditure | Grant and Contribution Income | External Income | Internal Income | Net Expenditure |
|---|----------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adult Care Operations and Health | 306,137 | (21,172) | (52,044) | 0 | 232,921 |
| Adult Commissioning and Health | 30,321 | (2,376) | (608) | 0 | 27,337 |
| Total | 336,458 | (23,548) | (52,652) | 0 | 260,258 |

Adult Care and Health

Adult Care Operations and Health

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-----------------------------------|-------------------------------|--------------------------|---|------------------------------------|
| | Disability Services | | | | |
| 1,995 | Day Opportunities | 2,168 | (1) | 2,167 | 172 |
| 18,352 | Direct Payments | 23,268 | (2,911) | 20,357 | 2,005 |
| 33,779 | Enabling/Other | 38,078 | (314) | 37,764 | 3,985 |
| 2,230 | Nursing Care | 2,550 | (287) | 2,263 | 33 |
| 7,943 | Personal Care | 11,947 | (3,504) | 8,443 | 500 |
| 30,075 | Residential Care | 35,788 | (3,382) | 32,406 | 2,331 |
| 94,374 | | 113,799 | (10,399) | 103,400 | 9,026 |
| 8,621 | Improved Better Care Fund | 8,621 | 0 | 8,621 | 0 |
| | In House Services | | | | |
| 4,205 | Day Opportunities | 4,290 | (17) | 4,273 | 68 |
| 4,065 | Reablement and Community Enabling | 5,393 | (899) | 4,494 | 429 |
| 3,798 | Residential Care | 3,650 | 0 | 3,650 | (148) |
| 12,068 | | 13,333 | (916) | 12,417 | 349 |
| | Older People | | | | |
| 931 | Day Opportunities | 1,032 | (20) | 1,012 | 81 |
| 5,456 | Direct Payments | 8,657 | (2,586) | 6,071 | 615 |
| 2,802 | Enabling/Other | 3,818 | (629) | 3,189 | 387 |
| 13,336 | Nursing Care | 24,502 | (7,249) | 17,253 | 3,917 |
| 13,348 | Personal Care | 27,218 | (14,365) | 12,853 | (495) |
| 35,301 | Residential Care | 76,486 | (33,558) | 42,928 | 7,627 |
| 71,174 | | 141,713 | (58,407) | 83,306 | 12,132 |
| 24,132 | OP&D Care Management | 27,946 | (3,494) | 24,452 | 320 |
| 720 | Workforce Development | 725 | 0 | 725 | 5 |
| 211,089 | | 306,137 | (73,216) | 232,921 | 21,832 |

| Analysis of changes: | £'000 |
|---|----------------|
| Technical and Service Changes | |
| Demographic and other growth in demand | 17,000 |
| Inflation | 9,593 |
| | 26,593 |
| Savings strategies | |
| Efficiencies in Older People placement costs | (500) |
| Supporting people with disabilities to live more independently and to reduce their dependence over time | (1,749) |
| Target reduction in staffing and agency spend/Extension of vacancy management | (160) |
| Robust management of demographic and demand pressures | (2,352) |
| | (4,761) |
| Total | 21,832 |

Service Commentary

Adult Care Operations and Health is the operational social care service which offers advice, information and signposting as well as assessment, support planning and reviews for older people and working age adults with learning disability, autism, physical disabilities with eligible social care needs. It also arranges care, largely from the independent sector, for either short-term interventions or long-term care on a personalised basis. It undertakes statutory safeguarding responsibilities for vulnerable adults. The staff undertaking these functions – including professionally qualified social workers and occupational therapists – are co-located and co-managed with community based NHS staff.

Additionally, it provides those adult social care services we continue to deliver directly rather than commission from the independent sector. These include a number of different establishments throughout the county which provide services to Older People and people with Disabilities.

Included in the Operations budget is the continuance for a further year of £8.621 millions from the improved Better Care Fund which was announced in October 2019. The deployment of this is subject to joint agreement with NHS partners and is for the benefit of health and social care overall.

The Budget also includes £35.138 millions of Better Care Fund funding which contributes directly to the provision of social care services. In addition there is a direct contribution to specific projects of £2.941 millions and other income from health of £1.838 millions.

Key challenges to operations include management of volume and price pressures, which are fundamental to the financial sustainability of the budget, and delivery of the operational change required under the Promoting Independence programme, particularly across working age adults, residents with disabilities and autism which has seen continuing demand pressure in the last year.

The resilience, capability and capacity of the social care workforce, both internal and provider, especially the registered social work component, is an area of risk. This is subject to active consideration in relation to current and growing level of demand, complexity of need and acuity of the people we serve, to ensure an ability to deliver a responsive and effective service.

Adult Care and Health

Service Statistics and Other Information

| | | Number of people budgeted to receive service | | |
|--|---------------|--|--------|---------|
| | | Average through Year | | |
| | | 2019/20 | Change | 2020/21 |
| Reablement (across all client groups) | Service Users | 3,057 | 93 | 3,150 |
| These are new people expected to go through the reablement process | | | | |
| Disability Services (incl. Autistic Spectrum) | | | | |
| Day Opportunities | Service Users | 254 | (3) | 251 |
| Direct Payments | Service Users | 1,440 | 62 | 1,502 |
| Enabling | Service Users | 1,472 | 89 | 1,561 |
| Nursing Care (including Respite) | Service Users | 49 | (1) | 48 |
| Personal Care | Service Users | 833 | 32 | 865 |
| Residential Care (including Respite) | Service Users | 610 | 6 | 616 |
| Older People and Disability - In house | | | | |
| Day Opportunities | Service Users | 169 | (69) | 100 |
| Residential Care (including Respite) | Service Users | 45 | 0 | 45 |
| Older People | | | | |
| Day Opportunities | Service Users | 280 | 5 | 285 |
| Direct Payments | Service Users | 652 | (7) | 645 |
| Enabling | Service Users | 347 | 14 | 361 |
| Nursing Care (including Respite) | Service Users | 520 | 37 | 557 |
| Personal Care | Service Users | 2,598 | (115) | 2,483 |
| Residential Care (including Respite) | Service Users | 1,865 | 102 | 1,967 |

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Adult Care and Health

Adult Commissioning and Health

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-------------------------------------|-------------------------------|--------------------------|---|------------------------------------|
| Adult Commissioning and Health | | | | | |
| 5,613 | Centrally Managed Contracts | 5,607 | (400) | 5,207 | (406) |
| 1,071 | Policy, Performance and Involvement | 1,171 | 0 | 1,171 | 100 |
| 2,465 | Strategic Commissioning | 3,449 | (308) | 3,141 | 676 |
| 1,463 | Transformation | 1,445 | (20) | 1,425 | (38) |
| 10,612 | | 11,672 | (728) | 10,944 | 332 |
| Mental Health Services | | | | | |
| 3,830 | Care Management | 4,181 | (396) | 3,785 | (45) |
| 453 | Day Opportunities | 726 | (175) | 551 | 98 |
| 471 | Direct Payments | 664 | (20) | 644 | 173 |
| 5,246 | Enabling/Other | 6,599 | (1,013) | 5,586 | 340 |
| 85 | Nursing Care | 28 | 0 | 28 | (57) |
| 102 | Personal Care | 255 | (74) | 181 | 79 |
| 4,656 | Residential Care | 6,196 | (578) | 5,618 | 962 |
| 14,843 | | 18,649 | (2,256) | 16,393 | 1,550 |
| 25,455 | | 30,321 | (2,984) | 27,337 | 1,882 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|--------------|
| Demographic and other growth in demand in Mental Health | 1,173 |
| Inflation | 685 |
| Net cost of additional investment in contract and market management | 321 |
| | 2,179 |

Savings Strategies

| | |
|---|--------------|
| Management and support reductions | (203) |
| Supporting people with mental health needs to live more independently | (94) |
| | (297) |

| | |
|--------------|--------------|
| Total | 1,882 |
|--------------|--------------|

Service Commentary

Commissioning staff work with NHS colleagues to assess the strategic health and social care needs of the Devon population. This then shapes the care provider markets from which Devon County Council purchases most of its adult social care services to ensure that the right preventive, short-term and longer-term services are available to those with eligible needs at the time they are needed, and at prices which are affordable within the Council's social care budgets. This is undertaken by working with the Care Quality Commission to assure and improve their quality along with managing contractual provider relationships to ensure their delivery, and consultation with carers and families.

The commissioning function is also responsible for commissioning arrangements for support to carers, for the care management of people with mental health needs (working with the Devon Partnership Trust), and for the coordination of activity and governance of the statutory Safeguarding Adults Board as well as for the oversight of Centrally Managed Contracts including homelessness support and service user representation.

The key challenges for Adult Commissioning and Health will be to lead on integrating the commissioning of services, aligning priorities and workplans including with health partners and district councils, whilst at the same time continuing to manage relationships with independent and voluntary sector providers which are under pressure, particularly in personal care and residential markets. The commissioning function has recently taken back the lead provider role for arranging the provision of personal care in some parts of Devon.

The Policy, Performance and Involvement function comprises the Management Information Team responsible for commissioning intelligence, statutory returns and surveys, internal performance management, and involvement in sector-led improvement; the Policy Team responsible for commissioning and operational policy development and strategic planning; and the Involvement and Policy Team responsible for engaging the users of our services and their carers, and ensuring we are considering their diverse needs, in everything we do.

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

The commissioned Mental Health function provided through a Section 75 agreement with the Devon Partnership Trust continues its transformation programme to improve the efficiency of existing services and support people to live as independently as possible, whilst ensuring that those most in need of care are looked after in the most appropriate way for their needs.

Service Statistics and Other Information

| | | Number of people budgeted to receive service Average through Year | | |
|--------------------------------------|---------------|--|--------|---------|
| | | 2019/20 | Change | 2020/21 |
| Mental Health Services | | | | |
| Day Opportunities | Service Users | 12 | 10 | 22 |
| Direct Payments | Service Users | 83 | 26 | 109 |
| Enabling | Service Users | 561 | 42 | 603 |
| Nursing Care (including Respite) | Service Users | 4 | (3) | 1 |
| Personal Care | Service Users | 20 | 10 | 30 |
| Residential Care (including Respite) | Service Users | 151 | 20 | 171 |

Children's Services

How the 2020/21 Budget has been built up

| | 2019/20 Adjusted Budget | Changes | 2020/21 Outturn Budget |
|--|-------------------------------|---------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Children's Social Care | 94,842 | 6,618 | 101,460 |
| Education and Learning - General Fund | 40,465 | 4,920 | 45,385 |
| Education and Learning - School Funding | 0 | 0 | 0 |
| Total | 135,307 | 11,538 | 146,845 |

| Reasons for changes in Revenue Budget | Change £' 000 |
|--|--------------------------|
|--|--------------------------|

Technical and Service Changes

| | |
|---|---------------|
| Inflation | 3,775 |
| Demographic and demand pressures | 8,293 |
| Special Educational Needs and Disabilities increased staffing | 641 |
| | <u>12,709</u> |

Savings Requirements

| | |
|--|----------------|
| Children's Social Care | |
| Review high cost placements | (520) |
| Additional Continuing Care contributions from Health | (274) |
| Review of non-statutory services | (377) |
| | <u>(1,171)</u> |

| | |
|--------------|---------------|
| Total | 11,538 |
|--------------|---------------|

Analysis of Total Expenditure 2020/21

| | Gross Expenditure £'000 | Grant and Contribution Income £'000 | External Income £'000 | Internal Income £'000 | Net Expenditure £'000 |
|--|----------------------------|--|--------------------------|--------------------------|--------------------------|
| Children's Social Care | 124,086 | (8,077) | (1,306) | (13,243) | 101,460 |
| Education and Learning - General Fund | 47,700 | (928) | (669) | (718) | 45,385 |
| Education and Learning - School Funding | 603,320 | (602,305) | (59) | (956) | 0 |
| Total | 775,106 | (611,310) | (2,034) | (14,917) | 146,845 |

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

| | Gross Expenditure £'000 | Grant and Contribution Income £'000 | External Income £'000 | Internal Income £'000 | Net Expenditure £'000 |
|-------------------------------|----------------------------|--|--------------------------|--------------------------|--------------------------|
| Children's Social Care | | | | | |
| Atkinson | 3,962 | (405) | (3,104) | (453) | 0 |
| Total | 3,962 | (405) | (3,104) | (453) | 0 |
| Grand total | 779,068 | (611,715) | (5,138) | (15,370) | 146,845 |

Children's Services

Children's Social Care

| 2019/20 Adjusted Budget £'000 | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-------------------------------|--------------------------|--|------------------------------------|
| Corporate Parenting Service | | | | |
| 1,746 | 1,807 | 0 | 1,807 | 61 |
| 921 | 852 | 0 | 852 | (69) |
| 308 | 295 | 0 | 295 | (13) |
| 1,101 | 1,158 | 0 | 1,158 | 57 |
| 2,570 | 3,070 | (79) | 2,991 | 421 |
| 4,016 | 4,101 | 0 | 4,101 | 85 |
| 2,821 | 3,278 | 0 | 3,278 | 457 |
| 13,483 | 14,561 | (79) | 14,482 | 999 |
| Disabled Children's Services | | | | |
| 7,649 | 10,273 | (1,508) | 8,765 | 1,116 |
| 2,072 | 2,244 | (23) | 2,221 | 149 |
| 3,167 | 3,438 | (156) | 3,282 | 115 |
| 12,888 | 15,955 | (1,687) | 14,268 | 1,380 |
| Early Help (Access) | | | | |
| 861 | 1,053 | (154) | 899 | 38 |
| 981 | 1,007 | 0 | 1,007 | 26 |
| 539 | 534 | 0 | 534 | (5) |
| 2,381 | 2,594 | (154) | 2,440 | 59 |
| Early Help (Provision) | | | | |
| 1,696 | 4,895 | (3,124) | 1,771 | 75 |
| 697 | 1,728 | (1,027) | 701 | 4 |
| 2,393 | 6,623 | (4,151) | 2,472 | 79 |
| Placements | | | | |
| 5,196 | 6,178 | (1,705) | 4,473 | (723) |
| 7,329 | 7,899 | 0 | 7,899 | 570 |
| 1,596 | 1,616 | 0 | 1,616 | 20 |
| 14,356 | 16,311 | (1,584) | 14,727 | 371 |
| 3,449 | 5,411 | (173) | 5,238 | 1,789 |
| 9,959 | 9,888 | 0 | 9,888 | (71) |
| 441 | 864 | (171) | 693 | 252 |
| 560 | 653 | (26) | 627 | 67 |
| 461 | 2,085 | (1,609) | 476 | 15 |
| 43,347 | 50,905 | (5,268) | 45,637 | 2,290 |
| 0 | 11,585 | (10,585) | 1,000 | 1,000 |
| 1,677 | 1,425 | 0 | 1,425 | (252) |
| Social Work Teams | | | | |
| 13,431 | 13,839 | 0 | 13,839 | 408 |
| 1,072 | 1,077 | 0 | 1,077 | 5 |
| 14,503 | 14,916 | 0 | 14,916 | 413 |
| 4,170 | 5,522 | (702) | 4,820 | 650 |
| 94,842 | 124,086 | (22,626) | 101,460 | 6,618 |

| Analysis of changes: | £'000 |
|---|---------------------|
| Technical and Service Changes | |
| Inflation, including National Living Wage | 2,433 |
| Demographic and other growth in demand | |
| Placement demand and other growth pressures | 3,500 |
| Short breaks for Disabled Children demand pressures | 1,454 |
| Special Educational Needs and Disabilities increased staffing | 402 |
| | <u>7,789</u> |
| Savings Strategies | |
| Review high cost placements | (520) |
| Additional Continuing Care contributions from Health | (274) |
| Review of non-statutory services | (377) |
| | <u>(1,171)</u> |
| Total | <u>6,618</u> |

Children's Services

Service Commentary

Children's Social Care

This service brings together the statutory duties of the Council in relation to children in need, child protection and looked after children. It includes a range of services targeted to support families and thus help to avoid the need for children to come into care. It also provides short breaks and respite care services for disabled children and their families.

These services deliver our guiding principles which are:

- Children are best brought up in families, with local, place based support when needed.
- We support families to find their own solutions, building on their strengths and finding solutions to whatever difficulties they are confronting to be resilient, improve family life and increase opportunities for their children.
- Children who need protection will receive it; wherever possible, early help will prevent the need for statutory intervention in family life.
- Timely permanent arrangements will be secured for children who can't be brought up in their birth family.

The budget for 2020/21 reflects significant investment in support for families and children with Special Educational Needs and Disabilities, particularly in the provision of community and short break services. The budget also recognises the rising cost base of residential provision for some of our most complex children. There is a strong focus on developing intensive support services, particularly for adolescents, to prevent care entry and improve outcomes with families at home.

0-19 Public Health Nursing Service

This service contributes to the improvement in health and wellbeing that support all children and young people, to keep families safe, and to reduce health related risks across the life-course.

The budget for 2020/21 reflects increased front line capacity to meet demand; more efficient ways of working are planned through better use of IT and accommodation.

Children's Services

Service Statistics

| Children's Social Care | | Number of people budgeted to receive service Average through Year | | |
|--|---------------|--|---------------|----------------|
| | | 2019/20 | Change | 2020/21 |
| Looked After Children | | | | |
| External Residential | Service Users | 102 | (12) | 90 |
| Internal Fostering Placements | Service Users | 387 | 9 | 396 |
| External Fostering Placements | Service Users | 157 | 7 | 164 |
| Foster to Adopt | Service Users | 6 | 0 | 6 |
| External Supported Lodgings/Housing | Service Users | 40 | 10 | 50 |
| Internal Residential Special School | Service Users | 3 | 1 | 4 |
| Medical Establishment | Service Users | 2 | (1) | 1 |
| Placed For Adoption | Service Users | 17 | 6 | 23 |
| Placed with Parents/ awaiting assessment | Service Users | 20 | (2) | 18 |
| Other Placements | Service Users | 0 | 5 | 5 |
| Secure Welfare | Service Users | 2 | 0 | 2 |
| Remand / Custody | Service Users | 1 | 0 | 1 |
| Unaccompanied Asylum Seeking Children | Service Users | 25 | 9 | 34 |
| Total Looked After Children | | 762 | 32 | 794 |
| | | 2019/20 | Change | 2020/21 |
| Other Children's Services | | | | |
| Staying Put/Care Leavers | Service Users | 81 | 26 | 107 |
| Adoption Allowances | Service Users | 98 | (11) | 87 |
| Special Guardianship Order Allowances | Service Users | 336 | 54 | 390 |
| Residence/Child Arrangement Order Allowances | Service Users | 43 | (5) | 38 |
| Shortbreak Services and Direct Payments | Service Users | 1,564 | 221 | 1,785 |

Children's Services

Education and Learning (General Fund)

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|---|---|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Infrastructure | | | | | |
| 641 | Admissions, Data and Strategic Management | 874 | (202) | 672 | 31 |
| 45 | Legal Disbursements | 45 | 0 | 45 | 0 |
| 1,201 | Teachers Pension - Historic Enhancements | 1,201 | 0 | 1,201 | 0 |
| 1,887 | | 2,120 | (202) | 1,918 | 31 |
| School Improvement Inclusion and Safeguard | | | | | |
| 2,283 | Closing The Gap | 2,284 | (19) | 2,265 | (18) |
| 3,006 | Inclusion | 3,907 | (610) | 3,297 | 291 |
| 1,215 | Quality Service and Provision | 2,189 | (974) | 1,215 | 0 |
| 707 | Safeguarding Every Learner | 707 | 0 | 707 | 0 |
| 7,211 | | 9,087 | (1,603) | 7,484 | 273 |
| School Transport | | | | | |
| (27) | Home to College | 81 | (81) | 0 | 27 |
| 13,401 | Home to School | 13,609 | (131) | 13,478 | 77 |
| 10,838 | Personalised Transport | 15,412 | (85) | 15,327 | 4,489 |
| 24,212 | | 29,102 | (297) | 28,805 | 4,593 |
| 499 | Vulnerable Groups and Virtual School | 561 | (54) | 507 | 8 |
| 6,656 | Children's Centres and Early Years Servs | 6,830 | (159) | 6,671 | 15 |
| 40,465 | | 47,700 | (2,315) | 45,385 | 4,920 |

Analysis of changes:

£'000

Technical and Service Changes

Inflation, including National Living Wage

1,342

Demographic and other growth in demand

Demographic and other growth in demand - Transport

3,339

Special Educational Needs and Disabilities increased staffing

239

3,578

Total

4,920

Service Commentary

This service budget 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.

Devon operates a very cost-effective school transport service that, by having an integrated approach with social care and health has kept spend at a rate below inflation; Devon is one of a few Local Authorities to achieve this. However, the regulatory and operational pressures continue to grow, and this is putting pressure on bus and coach operators. The consequence of this is that Early contract termination has resulted in a 15% increase in costs when re-tendered.

The cost of Personalised School Transport continues to rise due to a continued increase in the number of children requiring complex transport arrangements. This has increased costs by approximately 15% over the past 12 months

Service Statistics

| Transport | Unit of Measurement | 2019/20 | Change | 2020/21 |
|--------------------------|----------------------------|----------------|---------------|----------------|
| School/College Transport | Pupil Numbers p.a. | 12,441 | (120) | 12,321 |
| Personalised Transport | Pupil Numbers p.a. | 1,657 | 207 | 1,864 |

Children's Services

Education and Learning (School Funding)

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|----------------------------------|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Schools | | | | | |
| 20,029 | Academy and Independents | 31,629 | 0 | 31,629 | 11,600 |
| 235,546 | Primary Schools | 250,057 | 0 | 250,057 | 14,511 |
| 181,697 | Secondary Schools | 192,680 | 0 | 192,680 | 10,983 |
| 437,272 | | 474,366 | 0 | 474,366 | 37,094 |
| De-Delegated Schools Budget | | | | | |
| 117 | Facilitation and Representation | 125 | (8) | 117 | 0 |
| 534 | Licences and Subscriptions | 534 | 0 | 534 | 0 |
| 971 | Maternity | 971 | 0 | 971 | 0 |
| 107 | School Intervention Fund | 107 | 0 | 107 | 0 |
| 926 | Schools and DSG Contingency | 926 | 0 | 926 | 0 |
| 1,189 | Targeted Specialist Services | 1,189 | 0 | 1,189 | 0 |
| 3,844 | | 3,852 | (8) | 3,844 | 0 |
| Central Provision Within Schools Budget | | | | | |
| 476 | Admissions | 550 | (74) | 476 | 0 |
| 1,683 | Other DSG Services | 1,708 | (17) | 1,691 | 8 |
| 292 | Phase Associations | 314 | (22) | 292 | 0 |
| 1,445 | Pupil Growth | 2,825 | 0 | 2,825 | 1,380 |
| 848 | Support Services | 940 | (85) | 855 | 7 |
| 873 | Termination of Employment Costs | 873 | 0 | 873 | 0 |
| 5,617 | | 7,210 | (198) | 7,012 | 1,395 |
| High Needs Budget | | | | | |
| 5,963 | Alternative Provision | 6,550 | (150) | 6,400 | 437 |
| 1,428 | Children In Care and Inclusion | 1,428 | 0 | 1,428 | 0 |
| 1,500 | Closing The Gap | 1,500 | 0 | 1,500 | 0 |
| 292 | Hospital Education Services | 318 | 0 | 318 | 26 |
| 334 | Inclusion | 334 | 0 | 334 | 0 |
| 29,344 | Maintained Special Schools | 34,146 | (228) | 33,918 | 4,574 |
| 1,164 | Nursery Plus | 1,164 | 0 | 1,164 | 0 |
| 15,152 | Other Special School Fees | 36,924 | (438) | 36,486 | 21,334 |
| 486 | Recoupment | 1,740 | (722) | 1,018 | 532 |
| 144 | Safeguarding Every Learner | 144 | 0 | 144 | 0 |
| 10,825 | SEN Mainstream | 16,189 | 0 | 16,189 | 5,364 |
| 924 | SEN Services | 871 | 0 | 871 | (53) |
| 1,481 | Support Centre Funding | 1,606 | 0 | 1,606 | 125 |
| 69,037 | | 102,914 | (1,538) | 101,376 | 32,339 |
| 37,965 | Early Years Budget | 38,802 | (113) | 38,689 | 724 |
| 0 | Funded From Recovery Plan | (23,824) | 0 | (23,824) | (23,824) |
| Schools Funding | | | | | |
| (510,203) | Dedicated Schools Grant (DSG) | 0 | (539,350) | (539,350) | (29,147) |
| (17,838) | Other School Grants | 0 | (36,854) | (36,854) | (19,016) |
| (1,599) | Post 16 Funding | 0 | (1,164) | (1,164) | 435 |
| (24,095) | Pupil Premium | 0 | (24,095) | (24,095) | 0 |
| (553,735) | | 0 | (601,463) | (601,463) | (47,728) |
| 0 | | 603,320 | (603,320) | 0 | 0 |

Children's Services

| Analysis of changes: | £'000 |
|---|--------------|
| Pupil Growth - Realignment of Growth funding | 1,380 |
| Other Central Provision adjustments | 15 |
| Increase in Early Years hourly rate | 724 |
| Additional investment for children with complex needs | 31,876 |
| Additional investment for children in Alternative Provision including Hospital School | 463 |
| Net changes to mainstream school budgets due to increase in Schools Funding Block and demographic changes | 37,094 |
| Funding shortfall to be funded through a DSG Recovery Plan | (23,824) |
| Increase in Dedicated Schools Grant and other grants arising from National Funding Formula changes and demographic changes. | (22,260) |
| Increase in Dedicated Schools Grant due to baseline changes to the High Needs block and demographic changes. | (6,887) |
| Increase in Other School Grants due to new Teacher's Pay and Pensions Grant | (19,016) |
| Decrease in Post 16 funding | 435 |
| Total | 0 |

Children's Services

Service Commentary

Services funded by the Dedicated Schools Grant include high needs funding, Post 16 Funding, Early years funding Pupil Premium and other school grants. Most funding in the Dedicated schools grant is delegated directly to schools or early years settings.

It should be noted that the staffing data does not include the 4,847 staff employed by Devon County Council working in Maintained schools. Funding for these staff is delegated to and managed by the individual schools, in the same way as Academies.

Within the DSG the significant cost pressure continues to relate to the High Needs service. This is largely due to continued increases in the number of children with and Education Health and Care plan. Whilst Devon supports a higher than average number of children in our mainstream settings, the cost of educating pupils with complex educational and physical needs can be significant and volatile.

The deliverability of a balanced budget is to a large extent reliant on continuing to successfully support children in mainstream schools and increasing the capacity in our maintained special schools; reducing the costs through better value for money in the independent sector and working with the Devon Inclusion Partnership to reduce the number of Alternative Provision placements needed.

The opening of new schools is now dependent on the Free school programme, (or free school presumption if funded by the Local Authority). We have been successful in increasing our maintained special school capacity by almost 20% over the past 3 years and want to continue to develop this provision with the corporate budget investment of £19.1 millions which, subject to budget ratification, along with a special free school bid will secure 300 additional places and further reduce demand in the independent sector.

Service Statistics

Number of local authority maintained schools and academies

| | Number of organisations | Number of Schools |
|--|-------------------------|-------------------|
| Local Authority Maintained Schools | | 184 |
| Federations | 31 | 83 |
| Management Partnerships | 9 | 28 |
| % of schools actively collaborating | | 60% |
| Free Schools | | 9 |
| Academies | | 176 |
| Number of schools in multi-academy trusts/collaborations | | 158 |
| % of academies in multi academy trusts / collaborations | | 85% |
| Total all schools and academies | | 369 |

| Number of pupils in LA maintained schools | Unit of Measurement | Oct-2018 | Change | Oct-2019 |
|--|---------------------------------|----------------|----------------|----------------|
| Nursery Schools (Universal Entitlement 15 hours) | Pupil Numbers PTE | 140 | (3) | 137 |
| Maintained Nurseries within Primary Schools (Universal Entitlement 15 hours) | Pupil Numbers PTE | 1,427 | (31) | 1,396 |
| | | 1,567 | (34) | 1,533 |
| Primary | Numbers on Roll | 33,704 | (1,939) | 31,765 |
| Secondary | Numbers on Roll | 8,086 | (1,906) | 6,180 |
| Post 16 | Numbers on Roll | 345 | (70) | 275 |
| | | 42,135 | (3,915) | 38,220 |
| Number of pupils in academy schools | | | | |
| Primary | Numbers on Roll | 21,573 | 1580 | 23,153 |
| Secondary | Numbers on Roll | 26,716 | 2518 | 29,234 |
| | | 48,289 | 4,098 | 52,387 |
| Number of pupils in Free schools | | | | |
| Primary | Numbers on Roll | 626 | 130 | 756 |
| Secondary | Numbers on Roll | 540 | (219) | 321 |
| | | 1,166 | (89) | 1,077 |
| Total number of pupils in LA maintained schools, academies and free schools | | | | |
| Nursery Schools | Pupil Numbers PTE | 2,348 | (52) | 2,296 |
| Primary | Numbers on Roll | 55,903 | (229) | 55,674 |
| Secondary | Numbers on Roll | 35,342 | 393 | 35,735 |
| Post 16 (maintained only) | Numbers on Roll | 345 | (70) | 275 |
| | | 93,938 | 42 | 93,980 |
| Percentage of pupils in academy schools | | | | |
| Primary | Numbers on Roll | 39.7% | 3.2% | 42.9% |
| Secondary | Numbers on Roll | 77.1% | 5.6% | 82.7% |
| Early Years Education Provision | | 2019/20 | Change | 2020/21 |
| Early Years Independent Provision (Universal entitlement 15 hours) | Pupil Numbers PTE | 7,495 | (166) | 7,329 |
| Early Years Entitlement Take up | Percentage of eligible children | 100.0% | -3.2% | 96.8% |
| 3 and 4 Year old additional 15 hours for all sectors | Pupil Numbers PTE | 3,385 | 248 | 3,633 |
| Disadvantaged two year olds | Pupil Numbers PTE | 1,658 | (155) | 1,503 |
| Young People with Additional Needs | | 2019/20 | Change | 2020/21 |
| Pupils with Education Health Care Plans in Mainstream provision (pre 16) | Number of young people | 2,223 | 473 | 2,696 |
| Educated Other Than At School | Number of young people | 0 | 117 | 117 |
| Maintained and Academy Special Schools (pre 16 and post 16) | Number of Budgeted Places | 1,216 | 165 | 1,381 |
| Independent Special Schools (pre 16 and post 16) | Number of Budgeted Places | 446 | 274 | 720 |
| Further Education | Number of Budgeted Places | 436 | 138 | 574 |
| Inter-Authority recoupment | Net number of Exported Pupils | 61 | 41 | 102 |
| Import / export adjustments for local authorities | Net number of Exported Pupils | 360 | 58 | 418 |
| Alternative Provision | Number of Budgeted Places | 260 | 20 | 280 |

Communities, Public Health, Environment and Prosperity

How the 2020/21 Budget has been built

| | 2019/20 Adjusted Budget | Changes | 2020/21 Outturn Budget |
|---|-------------------------------|------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Communities and Other Services | 12,158 | 154 | 12,312 |
| Economy, Enterprise and Skills | 4,899 | 16 | 4,915 |
| Planning, Transportation and Environment | 21,731 | 755 | 22,486 |
| Public Health | 0 | 0 | 0 |
| Total | 38,788 | 925 | 39,713 |

Reasons for changes in Revenue Budget £' 000

Technical and Service Changes

| | |
|--|-------|
| Inflation and National Living Wage | 866 |
| Funding for bus services previously paid under S106 | 351 |
| Removal of one-off budget for licensing regulations of community transport | (150) |
| Enterprise zone project contribution | 8 |
| | 1,075 |

Savings Requirements

| | |
|---|-------|
| Post 16 transitions contract | (50) |
| Reduced demand on commissioning programme | (50) |
| Increased recharging to capital programme | (50) |
| | (150) |

| | |
|--------------|------------|
| Total | 925 |
|--------------|------------|

Analysis of Total Expenditure for 2020/21

| | Gross Expenditure £'000 | Grant and Contribution Income £'000 | External Income £'000 | Internal Income £'000 | Net Expenditure £'000 |
|---|----------------------------|--|--------------------------|--------------------------|--------------------------|
| Communities and Other Services | 13,760 | (139) | (401) | (908) | 12,312 |
| Economy, Enterprise and Skills | 7,568 | (285) | (2,030) | (338) | 4,915 |
| Planning, Transportation and Environment | 26,557 | (1,330) | (1,638) | (1,103) | 22,486 |
| Public Health | 28,714 | (28,385) | (37) | (292) | 0 |
| Total | 76,599 | (30,139) | (4,106) | (2,641) | 39,713 |

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

| | Gross Expenditure £'000 | Grant and Contribution Income £'000 | External Income £'000 | Internal Income £'000 | Net Expenditure £'000 |
|---|----------------------------|--|--------------------------|--------------------------|--------------------------|
| Communities and Other Services | | | | | |
| Active Devon | 1,668 | (1,471) | (11) | (186) | 0 |
| Syrian Refugees | 475 | (475) | 0 | 0 | 0 |
| Youth Projects | 87 | (86) | 0 | (1) | 0 |
| Economy, Enterprise and Skills | | | | | |
| Developing Entrepreneurship In Schools | 66 | (56) | 0 | (10) | 0 |
| Digital Skills Innovation Fund | 17 | (17) | 0 | 0 | 0 |
| Digital Skills Partnership Catalyst | 54 | (54) | 0 | 0 | 0 |
| Engaging Rural Micros 2 | 183 | (183) | 0 | 0 | 0 |
| EU - Digital Utilisation Growth | 168 | (168) | 0 | 0 | 0 |
| EU - Enhance Social Enterprise | 113 | (52) | (61) | 0 | 0 |
| EU - Enhance Social Enterprise UOE | 2 | (1) | (1) | 0 | 0 |
| EU - Growth Support Programme | 10 | (6) | (4) | 0 | 0 |
| EU - Innovation In Healthy Ageing | 17 | (10) | 0 | (7) | 0 |
| EU - Northern Devon Enterprise Centre | 99 | (99) | 0 | 0 | 0 |
| LAG - MIL (Making It Local 2) | 40 | (40) | 0 | 0 | 0 |
| LAG - REAL Devon | 36 | (36) | 0 | 0 | 0 |
| Learn Devon | 3,584 | (3,417) | (121) | (46) | 0 |
| Planning, Transportation and Environment | | | | | |
| AONB Blackdown Hills | 231 | (210) | 0 | (21) | 0 |
| AONB North Devon | 194 | (180) | 0 | (14) | 0 |
| Cycle Bikeability Training | 280 | (280) | 0 | 0 | 0 |
| Devon Maritime Forum | 23 | (10) | (3) | (10) | 0 |
| Exe Estuary Partnership | 30 | (21) | 0 | (9) | 0 |
| Low Carbon Energy and Transport (DELETTI) | 26 | (19) | 0 | (7) | 0 |
| NHS Patient Transport Advice Service | 3,404 | 0 | (3,373) | (31) | 0 |
| Other Countryside Projects | 955 | (881) | 0 | (74) | 0 |
| South West Coast Path Team | 92 | (92) | 0 | 0 | 0 |
| Sustainable Mobility Plans (INNOVASUMP) | 11 | (10) | 0 | (1) | 0 |
| Transport Co-Ordination Service | 2,974 | (1,146) | (1,810) | (18) | 0 |
| Total | 14,839 | (9,020) | (5,384) | (435) | 0 |
| Grand total | 91,438 | (39,159) | (9,490) | (3,076) | 39,713 |

Communities and Other Services

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|---|--|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Commissioning Services For Communities | | | | | |
| 769 | Heritage Centre and Devon Records Office | 811 | (10) | 801 | 32 |
| 6,907 | Library and Information Service | 7,345 | (338) | 7,007 | 100 |
| 1,760 | Youth Services | 1,865 | (55) | 1,810 | 50 |
| 9,436 | | 10,021 | (403) | 9,618 | 182 |
| Planning and Insight | | | | | |
| 0 | Community Safety and Violence Prevention | 837 | (837) | 0 | 0 |
| 259 | Emergency Planning | 306 | (43) | 263 | 4 |
| 121 | Research, Intelligence and Performance | 123 | 0 | 123 | 2 |
| 380 | | 1,266 | (880) | 386 | 6 |
| Safer and Stronger Communities | | | | | |
| 1,072 | Commissioning / Grants | 1,022 | 0 | 1,022 | (50) |
| 670 | Community | 851 | (165) | 686 | 16 |
| 600 | Locality | 600 | 0 | 600 | 0 |
| 2,342 | | 2,473 | (165) | 2,308 | (34) |
| 12,158 | | 13,760 | (1,448) | 12,312 | 154 |

Analysis of Changes:

£'000

Technical and Service changes

Inflation and National Living wage

204

204

Savings Strategies

Reduced demand on commissioning programme

(50)

(50)

Total

154

Service Commentary

The Communities portfolio leads a range of commissioning and collaboration to develop services and support, helping people and organisations in communities to be better connected, resilient and safe.

This includes:

- commissioning of Devon’s youth services, support around domestic and sexual violence and library and heritage services;
- community safety and co-ordination of related work and partnerships; and statutory co-ordination to preventing extremism and radicalisation;
- community development across the County and its links to the Council’s priorities; and
- work to support a range of communities including the Armed Forces Covenant partnership; the resettlement of Syrian families, gypsies and travellers and through Active Devon accessing and increasing physical activity across the County.

In May 2019 the Council launched two new funding streams, alongside Crowdfund Devon, to support and facilitate community and voluntary work across Devon. The Doing What Matters scheme (Grants of £5,000 to £20,000) has been developed in line with the Council’s priorities. The Making the Connection scheme provides small, one-off non-repeatable, grants of up to £300 to support community-led ideas and initiatives across Devon.

The Library service remains a statutory duty which is delivered through a contract with Libraries Unlimited (South West). The service statistics show the move from the provision of stand-alone PCs in each library to an increasing demand for WiFi connectivity. Following an exercise to maximise the efficiency and effectiveness of the mobile libraries, stops were removed where no members had visited over a 3 month period in line with agreed policy.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|----------------------------------|----------------------------|-------------------------|---------------|-------------------------|
| Libraries | | | | |
| Static Libraries | No. | 50 | 0 | 50 |
| Mobile Libraries | No. | 4 | 0 | 4 |
| PCs available with public access | No. | 428 | (103) | 325 |
| Stock issues | No. | 2,400,000 | (200,000) | 2,200,000 |
| Membership | No. | 130,000 | (5,000) | 125,000 |
| Youth Service | | | | |
| Organisations supported | No. | 85 | 5 | 90 |
| Young people registered | No. | 3,950 | 200 | 4,150 |

Economy, Enterprise and Skills

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|---------------------------|-------------------------------|--------------------------|---|------------------------------------|
| Business Support and Innovation | | | | | |
| 293 | Business Growth Support | 439 | (82) | 357 | 64 |
| 1,845 | Trading Standards | 3,643 | (1,761) | 1,882 | 37 |
| 2,138 | | 4,082 | (1,843) | 2,239 | 101 |
| Economic Infrastructure and Development | | | | | |
| 924 | Economic Development | 1,172 | (228) | 944 | 20 |
| (11) | Industrial Estates | 121 | (132) | (11) | 0 |
| 913 | | 1,293 | (360) | 933 | 20 |
| Employment and Skills | | | | | |
| 198 | Labour Market Development | 593 | (450) | 143 | (55) |
| 1,650 | Post 16 Provision | 1,600 | 0 | 1,600 | (50) |
| 1,848 | | 2,193 | (450) | 1,743 | (105) |
| 4,899 | | 7,568 | (2,653) | 4,915 | 16 |

Analysis of changes:

£'000

Technical and Service changes

| | |
|--------------------------------------|-----------|
| Inflation | 58 |
| Enterprise Zone project contribution | 8 |
| | <u>66</u> |

Savings Strategies

| | |
|---|-------------|
| Efficiencies - Post 16 transitions contract | (50) |
| | <u>(50)</u> |

| | |
|--------------|-----------|
| Total | 16 |
|--------------|-----------|

Service Commentary

This service supports delivering productive and sustainable growth across the Devon economy and supports raising prosperity for all. It leads on delivering regulatory services through a joint Devon, Somerset and Torbay Trading Standards, safe-guarding public and consumer interests and providing support to businesses. It delivers a range of programmes aimed at improving skills attainment and access to education through Learn Devon and leading on post-16 learning and education. The Service provides a strategic overview of the Devon economy and collaborates with a wide range of partners including the Heart of the South West Local Enterprise Partnership. The key priorities for the service are:

- Improving skills attainment and supporting people into work, particularly the most disadvantaged,
- Delivering careers, advice and guidance for young people and adults, securing investment in skills provision, access to education and learning and promoting apprenticeships, internships and work placements
- Engaging with a range of partners to provide technical and higher-level qualifications, supporting workforce development and new technical training facilities
- Supporting the personal, social, health and economic wellbeing of individuals and communities,
- Stimulating innovation and business support across Devon’s Small and Medium enterprises, including encouraging new business start ups
- Protecting consumers and communities by ensuring a safe, fair, responsible, sustainable and competitive trading environment,
- Promoting Devon as a business location, including the facilitation of strategic employment space, managed workspace, broadband and mobile infrastructure,
- Developing growth sectors and supply chains, including clean energy, agri-tech, digital, food, farming and the rural economy,
- Leading on an economic evidence base and analysis to support growth strategies, funding bids and lobbying campaigns on key issues impacting on the Devon economy,
- Influencing national and local policies impacting on growth, skills and employment to support Devon’s economic and wellbeing priorities and secure external funding to deliver these priorities.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|--|----------------------------|-------------------------|---------------|-------------------------|
| Trading Standards (Shared Service) | | | | |
| Business premises on Trading Standards database | No. | 76,081 | 427 | 76,508 |
| Programmed interventions at high priority premises | Percentage | 100 | 0 | 100 |
| Complaints and service requests | No. | 15,975 | (1,491) | 14,484 |
| Learn Devon | | | | |
| Learn Devon - Enrolments | No. | 8,500 | (1,000) | 7,500 |

Planning, Transportation and Environment

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|--|-------------------------------|--------------------------|---|------------------------------------|
| Environment Service | | | | | |
| 501 | Environment Policy | 653 | (139) | 514 | 13 |
| 810 | Flood Risk and Surface Water Management | 817 | 0 | 817 | 7 |
| 432 | Projects and Partnerships | 484 | (51) | 433 | 1 |
| 1,743 | | 1,954 | (190) | 1,764 | 21 |
| Planning and Transportation | | | | | |
| 545 | Development Management | 1,491 | (1,014) | 477 | (68) |
| 2,575 | Planning and Transportation | 2,895 | (228) | 2,667 | 92 |
| 3,120 | | 4,386 | (1,242) | 3,144 | 24 |
| Public and Community Transport | | | | | |
| 9,266 | National Concessionary Travel Scheme | 9,483 | (20) | 9,463 | 197 |
| 3,973 | Public Transport Support | 5,602 | (1,235) | 4,367 | 394 |
| 2,115 | TCS Fleet | 3,018 | (798) | 2,220 | 105 |
| 1,514 | Transport Co-Ordination Service | 2,114 | (586) | 1,528 | 14 |
| 16,868 | | 20,217 | (2,639) | 17,578 | 710 |
| 21,731 | | 26,557 | (4,071) | 22,486 | 755 |

Analysis of changes:

£'000

Technical and Service changes

| | |
|--|------------|
| Inflation and National Living wage | 604 |
| Removal of one-off budget for licensing regulations of community transport | (150) |
| Funding for bus services previously paid under S106 | 351 |
| | <u>805</u> |

Savings Strategies

| | |
|---|-------------|
| Increased recharging to capital programme | (50) |
| | <u>(50)</u> |

Total **755**

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. The Transport Co-ordination team provide a range of public transport services including subsidised services, concessionary fares, fleet management and services to education and the NHS.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|--|----------------------------|-------------------------|---------------|-------------------------|
| Planning, Transportation & Environment | | | | |
| County Matter applications | No. | 60 | (20) | 40 |
| County Council development applications | No. | 40 | (10) | 30 |
| Sustainable drainage consultations for major development | No. | 800 | (300) | 500 |
| Land drainage consents | No. | 55 | 20 | 75 |
| Public Transport | | | | |
| Local bus services contracts | No. | 123 | 2 | 125 |
| Ring and Ride community transport schemes | No. of schemes | 16 | 0 | 16 |
| Community buses | No. | 9 | 0 | 9 |
| Fare car supported taxi schemes | No. of schemes | 7 | 0 | 7 |

Communities, Public Health, Environment and Prosperity

Public Health

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|--|-------------------------------|--------------------------|---|------------------------------------|
| Public Health | | | | | |
| 2,149 | Children 5-19 Public Health Programmes | 2,184 | 0 | 2,184 | 35 |
| 959 | Comm Sfty, Violence Prvntn and Social Excl | 964 | 0 | 964 | 5 |
| 58 | Health At Work | 59 | 0 | 59 | 1 |
| 113 | Health Protection | 116 | 0 | 116 | 3 |
| 8,097 | Mandated 0-5 Children's Services | 8,228 | 0 | 8,228 | 131 |
| 79 | National Child Measurement Programme | 80 | 0 | 80 | 1 |
| 458 | NHS Health Check Programme | 459 | 0 | 459 | 1 |
| 396 | Obesity | 630 | (206) | 424 | 28 |
| 526 | Other Public Health | 586 | (37) | 549 | 23 |
| 278 | Physical Activity | 182 | 0 | 182 | (96) |
| 288 | Public Health Expert Advice | 292 | 0 | 292 | 4 |
| (27,508) | Public Health Income | 0 | (28,159) | (28,159) | (651) |
| 134 | Public Mental Health | 290 | (151) | 139 | 5 |
| 6,227 | Sexual Health | 6,854 | 0 | 6,854 | 627 |
| 1,193 | Smoking and Tobacco | 1,159 | 0 | 1,159 | (34) |
| 5,430 | Substance Misuse | 5,470 | 0 | 5,470 | 40 |
| 1,123 | Support Services | 1,161 | (161) | 1,000 | (123) |
| 0 | | 28,714 | (28,714) | 0 | 0 |

Analysis of changes:

£'000

Technical and Service Changes

0

Savings Strategies and Revised programmes

| | |
|---|-------|
| Public Health income - Public Health grant | (723) |
| Public Health income - Reduced secondment income | 72 |
| Children's service - Inflationary increases | 166 |
| Sexual Health - Legacy work | 72 |
| Sexual Health - Increased demand and inflationary pressures | 287 |
| Sexual Health - New duty for HIV prevention | 268 |
| Substance misuse - Net of increased demand and contract savings | 40 |
| Support Service - Reduced management and support cost | (123) |
| Various reduced demand and contract savings | (59) |

0

Total

0

Service Commentary

Public Health is predominantly funded by a ring-fenced grant from the Department of Health.

From a commissioning perspective, there have only been two changes in 2019-20: Public health nursing services moved to Devon County Council's Children's Services from April 2019 and the "One Small Step" lifestyle advice service is now managed by a new provider, EveryoneHealth. Increasing demand for services funded by the public health ring-fenced grant continues to be a challenge.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|--|----------------------------|-------------------------|---------------|-------------------------|
| Local opiate clients in treatment | Individuals | 1,235 | 55 | 1,290 |
| Local non-opiate clients in treatment | Individuals | 408 | 2 | 410 |
| Local alcohol clients in treatment | Individuals | 838 | (138) | 700 |
| Genito-urinary medicine patients treated | Individuals | 29,597 | 3,822 | 33,419 |
| Contraception services accessed | Individuals | 32,121 | 1,943 | 34,064 |

Corporate Services

How the 2020/21 Budget has been built up

| | 2019/20 Adjusted Budget | Changes | 2020/21 Outturn Budget |
|---|-------------------------------|--------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Chief Exec, HR, Legal and Communications | 7,565 | 401 | 7,966 |
| Cross Council Savings Strategies | (1,941) | 1,691 | (250) |
| Digital Transformation and Business Supprt | 14,976 | 1,497 | 16,473 |
| Organisational Development | 844 | 341 | 1,185 |
| Treasurer's Services | 11,296 | 240 | 11,536 |
| Total | 32,740 | 4,170 | 36,910 |

Reasons for changes in Revenue Budget £'000

Technical and Service Changes

| | |
|---|--------------|
| Inflation and National Living Wage | 1,136 |
| Cessation of cross council savings strategies & corporate initiatives | 1,844 |
| Expansion of Digital Transformation service | 804 |
| Creation of permanent Organisational Transformation service | 309 |
| Other demographic, contract and service pressures | 247 |
| | <u>4,340</u> |

Savings Strategies

| | |
|---|--------------|
| Staffing reductions and turnover savings | (28) |
| Reduction in unfunded pension commitments | (142) |
| | <u>(170)</u> |

| | |
|--------------|--------------|
| Total | 4,170 |
|--------------|--------------|

Analysis of Total Expenditure 2020/21

| | Gross Expenditure | Grant and Contribution Income | External Income | Internal Income | Net Expenditure |
|---|------------------------------|--|----------------------------|----------------------------|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Exec, HR, Legal and Communications | 15,428 | 0 | (5,006) | (2,456) | 7,966 |
| Cross Council Savings Strategies | (250) | 0 | 0 | 0 | (250) |
| Digital Transformation and Business Supprt | 33,834 | (8,901) | (4,696) | (3,764) | 16,473 |
| Organisational Development | 1,211 | 0 | 0 | (26) | 1,185 |
| Treasurer's Services | 22,068 | 0 | (8,239) | (2,293) | 11,536 |
| Total | 72,291 | (8,901) | (17,941) | (8,539) | 36,910 |

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

| | Gross Expenditure | Grant and Contribution | External Income | Internal Income | Net Expenditure |
|---|------------------------------|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Digital Transformation and Business Supprt | | | | | |
| ScoMIS | 9,455 | 0 | (2,486) | (6,969) | 0 |
| Treasurer's Services | | | | | |
| Devon Audit Partnership | 1,637 | 0 | (1,637) | 0 | 0 |
| Total | 11,092 | 0 | (4,123) | (6,969) | 0 |
| Grand total | 83,383 | (8,901) | (22,064) | (15,508) | 36,910 |

Corporate Services

Chief Executive, Human Resources, Legal and Communications

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|--|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| 1,482 | Coroners Service | 1,539 | 0 | 1,539 | 57 |
| | Human Resources | | | | |
| 74 | Employee Services | 2,358 | (2,261) | 97 | 23 |
| 234 | Management and Strategy | 318 | (153) | 165 | (69) |
| 979 | Performance | 1,062 | (40) | 1,022 | 43 |
| 1,012 | Personnel Services Operations | 2,217 | (1,113) | 1,104 | 92 |
| 2,299 | | 5,955 | (3,567) | 2,388 | 89 |
| 1,360 | Legal Services | 2,716 | (1,187) | 1,529 | 169 |
| 1,099 | Media, Marketing and Communications | 1,422 | (284) | 1,138 | 39 |
| | Other Services | | | | |
| 228 | Corporate Management | 303 | (67) | 236 | 8 |
| 1,830 | Cost of Democracy | 1,976 | (95) | 1,881 | 51 |
| 135 | Local Authority Subscriptions | 132 | 0 | 132 | (3) |
| 2,193 | | 2,411 | (162) | 2,249 | 56 |
| (868) | Registration Service | 1,385 | (2,262) | (877) | (9) |
| 7,565 | | 15,428 | (7,462) | 7,966 | 401 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|------------|
| Inflation and National Living Wage | 261 |
| Licence and support of new legal Case Management System | 60 |
| Senior Lawyer to support Adult Social Care | 60 |
| Other demographic, contract and service pressures | 20 |
| | <u>401</u> |

Total Chief Executive, HR, Legal and Communications

401

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, financial pressures on the Coroners Service and a growing demand to develop an effective digital public information offer, to support greater self-service and help key service areas to reduce demand and deliver budget reduction targets.

The Human Resources team enables the Council to recruit, retain and develop staff with the right skills, experience and capacity to achieve the strategic purposes of the Council. The team supports the Authority by identifying any external developments that will impact on the workforce, such as employment related legislative changes. The HR Team also supports Leadership and Management development across the Council, and undertakes workforce planning to ensure that the Authority is equipped to meet future challenges from a staffing perspective. It co-ordinates the recruitment and development of Apprenticeships for the council, with 171 apprentices currently employed and 75 of those being existing staff undertaking apprenticeship qualifications. It ensures legal compliance for reporting requirements such as the Gender Pay Gap, and Trade Union Facility Time Funding for Data Transparency. In addition, consultancy support and advice is provided on the application of employment law, health and safety regulations and internal HR policies; administration of a payroll service; administration of a disclosure and barring service; co-ordination of recruitment campaigns; provision of a large pool of skilled office support workers available at short notice for temporary cover; provision of training and mediation services.

The drive to transform and change services continues to be acute at present and balancing those demands with the need to make significant budget savings, particularly within the HR Service, is the key pressure, as there are substantial demands for support from front-line services that are themselves undergoing significant organisational change. To enable the HR Service to meet these demands a new Human Resources Management System (HRMS) has been implemented. When the system is fully embedded, it will lead to greater efficiency through the provision of self-service, a reduction in paper-based processes and the availability of more accurate and timely management information which will enable further resource and focus on delivering transformational HR services to the organisation.

The HR Service is also closely involved in activities to support adult health and social care integration, through representation on a number of the workforce-related groups of the NHS/local authority Sustainable Transformation Programme (STP).

Corporate Services

Service Statistics and Other Information

CHIEF EXECUTIVE, LEGAL AND COMMUNICATIONS

| | Unit of Measurement | 2017/18 actual | Change | 2018/19 actual * |
|--|----------------------------|-----------------------|---------------|-------------------------|
| Coroners Service | | | | |
| Caseload | No. | 2,833 | (236) | 2,597 |
| Total inquests opened | No. | 339 | 19 | 358 |
| Natural deaths reported with a Post Mortem | No. | 597 | 68 | 665 |
| Registration Service | | | | |
| Certificates issued | No. | 70,327 | (3,649) | 66,678 |

* Latest figures available

| | Unit of Measurement | 2019/20 estimates | Change | 2020/21 estimates |
|-----------------------------------|----------------------------|--------------------------|---------------|--------------------------|
| HUMAN RESOURCES | | | | |
| Apprentices employed | No. | 160 | 40 | 200 |
| Payslips p.a | No. | 231,000 | (11,000) | 220,000 |
| DBS checks processed p.a | No. | 21,800 | (800) | 21,000 |
| Answered calls to HR Direct p.a | No. | 9,000 | 0 | 9,000 |
| Answered calls to Payroll p.a | No. | 30,000 | (10,000) | 20,000 |
| Answered calls to Recruitment p.a | No. | 11,700 | 3,300 | 15,000 |

Cross Council Savings Strategies

| 2019/20 Adjusted Budget £'000 | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|---|-------------------------------|--------------------------|---|------------------------------------|
| (1,941) Cross Council Savings Strategies | (250) | 0 | (250) | 1,691 |
| (1,941) | (250) | 0 | (250) | 1,691 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|-------|
| Review of business support functions ceased | 1,691 |
| | 1,691 |

| | |
|--------------|--------------|
| Total | 1,691 |
|--------------|--------------|

Service Commentary

This budget comprises of £250,000 in respect of savings that whilst led by Corporate Services (Procurement) will be delivered across the Council.

In recognition of the improving financial outlook for the Authority, £1.691 millions of savings plans included in the 2019/20 budget but not instigated, have been removed from 2020/21

Corporate Services

Digital Transformation & Business Support

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-------------------------------|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Business Infrastructure | | | | | |
| 4,899 | Business Services and Support | 7,078 | (1,801) | 5,277 | 378 |
| 564 | Customer Relations | 739 | (156) | 583 | 19 |
| 2,493 | Facilities Management | 4,589 | (2,054) | 2,535 | 42 |
| (6,507) | Private Finance Initiatives | 2,262 | (8,874) | (6,612) | (105) |
| 1,449 | | 14,668 | (12,885) | 1,783 | 334 |
| Estates | | | | | |
| 1,510 | Building Maintenance | 1,552 | (13) | 1,539 | 29 |
| 1,070 | Corporate Estates | 1,485 | (326) | 1,159 | 89 |
| (464) | Farms | 700 | (1,164) | (464) | 0 |
| 2,116 | | 3,737 | (1,503) | 2,234 | 118 |
| ICT | | | | | |
| 1,464 | Customer Service Centre | 1,505 | (13) | 1,492 | 28 |
| 8,928 | ICT | 11,909 | (1,995) | 9,914 | 986 |
| 10,392 | | 13,414 | (2,008) | 11,406 | 1,014 |
| 1,019 | Procurement | 2,015 | (965) | 1,050 | 31 |
| 14,976 | | 33,834 | (17,361) | 16,473 | 1,497 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|--------------|
| Inflation and National Living Wage | 598 |
| Expansion of Digital Transformation service | 804 |
| Cessation of corporate initiatives | 123 |
| | <u>1,525</u> |

Savings requirements

| | |
|--|-------------|
| Staffing reductions and turnover savings | (28) |
| | <u>(28)</u> |

Total 1,497

Service Commentary

The Digital Transformation and Business Support Service must lead and drive the digital transformation agenda. As such a primary focus of the service is to develop a digital platform which will enable a series of digital solutions to be developed that will enable citizens and staff to do business with the Council in a modern digital way that primarily is of benefit to them. The Digital Lives strategy continues to develop a key leadership role in providing opportunities to increase digital skills within the community and within our workforce.

The services are critical for the smooth running of the County Council, enabling all of us to work more efficiently; is fundamental to ensuring that the County Council's key resources are prioritised to meet organisational demand and ensuring that the County Council's statutory and legislative responsibilities are both supported and discharged.

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, Information Governance, Digital Transformation and Cyber Security.

In terms of pressures, the key challenge is to ensure efficient and effective service delivery to all front-line services, despite ever increasing demands being placed on Digital Transformation and Business Support from all services within the Council. The growth in demand from Childrens Services and Adults Social Care is having a direct impact across a range of services such as business support, ICT, Procurement and property. The potential for further insourcing of services would only increase these pressures.

The Service must be developed and evolved 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.

Service Statistics and Other Information

DIGITAL TRANSFORMATION AND BUSINESS SUPPORT

| | Unit of Measurement | 2019/20 estimates | Change | 2020/21 estimates |
|---|---------------------|-------------------|--------|-------------------|
| Property | | | | |
| DCC owned operational properties (including schools) | No. | 470 | (9) | 461 |
| The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools) | £m | 561 | 18 | 579 |
| County Farms Estate | | | | |
| No of Farms | No. | 65 | 0 | 65 |
| Total acreage | Acres | 9,583 | (28) | 9,555 |
| IT Infrastructure | | | | |
| Managed Desktops | No. | 5,104 | 472 | 5,576 |
| Networked Sites | No. | 199 | (12) | 187 |
| User accounts (DCC IT systems) | No. | 5,454 | 219 | 5,673 |

Corporate Services

Organisational Development

| 2019/20 Adjusted Budget £'000 | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-------------------------------|--------------------------|--|------------------------------------|
| 844 Organisational Development | 1,211 | (26) | 1,185 | 341 |
| 844 | 1,211 | (26) | 1,185 | 341 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|------------|
| Inflation and National Living Wage | 22 |
| Contribution to Heart of the South West | 10 |
| Creation of permanent Organisational Transformation service | 309 |
| | <u>341</u> |

Total

341

Service Commentary

Organisational Development is leading the transformation of the services that the Council and partners provide. The Transformation and Policy Teams supports Members and leaders to create a Devon where everyone can live their life well. It is supporting decision-making based on knowledge of what matters, and is important to, citizens; while enabling decision-makers to have a better understanding of how whole systems operate in order to fulfil the strategic purposes of the Council.

Corporate Services

Treasurer's Services

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|--|-------------------------------|--------------------------|---|------------------------------------|
| Other Services | | | | | |
| 152 | Bank Charges | 149 | 0 | 149 | (3) |
| 82 | External Audit | 85 | 0 | 85 | 3 |
| 4,677 | Unfunded Pensions | 7,696 | (3,074) | 4,622 | (55) |
| 4,911 | | 7,930 | (3,074) | 4,856 | (55) |
| Treasurer's Services | | | | | |
| 2,857 | Accountancy Services | 4,050 | (1,113) | 2,937 | 80 |
| 587 | Corporate Management and Commissioning | 1,547 | (960) | 587 | 0 |
| 1,499 | Financial Systems, Processes and Compliance | 6,749 | (5,083) | 1,666 | 167 |
| 1,442 | Strategic Financial Planning | 1,792 | (302) | 1,490 | 48 |
| 6,385 | | 14,138 | (7,458) | 6,680 | 295 |
| 11,296 | | 22,068 | (10,532) | 11,536 | 240 |

Analysis of changes:

£'000

Technical and Service Changes

| | |
|---|------------|
| Inflation and National Living Wage | 255 |
| Increased workload in Court of Protection service | 97 |
| Reinstating Payroll Compliance post | 30 |
| | <u>382</u> |

Savings requirements

| | |
|---|--------------|
| Reduction in unfunded pension commitments | (142) |
| | <u>(142)</u> |

| | |
|--------------|------------|
| Total | 240 |
|--------------|------------|

Service Commentary

The Treasurer provides financial advice and support to Members and to Adult Care and Health, Children's Services, Community, Health, Environment and Prosperity, Highways, Infrastructure and Waste as well as Corporate Services. In addition, it oversees a range of other services, including audit, bank charges and competition whilst also managing the Devon Local Government Pension Scheme.

In terms of pressures, the most significant of these is managing continuing uncertainty at a time when there are increasing demands for financial support and advice from front-line services. Treasurer's Services continue to try and work in a smarter way by further developing existing forecasting and reporting and purchasing and payments systems.

Exchequer Services and the wider Authority are expected to see an increase in efficiency and an enhanced customer experience following the implementation of a digital Payment Gateway. The gateway benefits include new on-line payment forms, automated telephone payments, income management and bank reconciliation software, together with access to the latest scanning technology.

Service Statistics and Other Information

TREASURER'S SERVICES

| | Unit of Measurement | 2019/20 estimates | Change | 2020/21 estimates |
|----------------------------|------------------------|----------------------|---------|----------------------|
| Debtors raised p.a. | No. | 120,000 | (5,000) | 115,000 |
| Invoices paid p.a. | No. | 389,000 | 1,000 | 390,000 |
| Proportion paid using BACS | Percentage | 100 | (3) | 97 |

Highways, Infrastructure Development and Waste

How the 2020/21 Budget has been built up

| | 2019/20 Adjusted Budget | Changes | 2020/21 Outturn Budget |
|--------------------------------------|-------------------------------|--------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Highways and Traffic Management | 26,059 | 2,585 | 28,644 |
| Infrastructure Development and Waste | 28,659 | 205 | 28,864 |
| Total | 54,718 | 2,790 | 57,508 |

| Reasons for changes in Revenue Budget | Change £' 000 |
|--|------------------|
| Technical and Service Changes | |
| Inflation | 2,189 |
| Waste Services demographic and contract pressures | 51 |
| Additional funding to alleviate Highways network drainage issues | 1,000 |
| Review of Highways income | 500 |
| | <u>3,740</u> |
| Savings Requirements | |
| Efficiencies in winter operations | (200) |
| Savings achieved from reductions in waste disposal | (420) |
| Impact of anticipated further reductions in Waste tonnages | (330) |
| | <u>(950)</u> |
| Total | 2,790 |

Highways, Infrastructure Development and Waste

Analysis of Total Expenditure for 2020/21

| | Gross Expenditure | Grant and Contribution Income | External Income | Internal Income | Net Expenditure |
|---|----------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Highways and Traffic Management | 31,658 | (118) | (1,596) | (1,300) | 28,644 |
| Infrastructure Development and Waste | 33,871 | 0 | (4,243) | (764) | 28,864 |
| Total | 65,529 | (118) | (5,839) | (2,064) | 57,508 |

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

| | Gross Expenditure | Grant and Contribution Income | External Income | Internal Income | Net Expenditure |
|---|----------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Highways and Traffic Management | | | | | |
| Highways Permit Scheme | 647 | 0 | (647) | 0 | 0 |
| On Street Parking | 7,071 | (112) | (6,958) | (1) | 0 |
| Infrastructure Development and Waste | | | | | |
| Ecowaste4Food Euro Project | 10 | (9) | 0 | (1) | 0 |
| Total | 7,728 | (121) | (7,605) | (2) | 0 |
| Grand total | 73,257 | (239) | (13,444) | (2,066) | 57,508 |

Highways, Infrastructure Development and Waste

Highways and Traffic Management

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|-------------------------------------|-------------------------------|--------------------------|--|------------------------------------|
| Highway Maintenance | | | | | |
| 2,567 | Cyclic Maintenance | 3,657 | (2) | 3,655 | 1,088 |
| 4,104 | Highway Lighting | 4,507 | (30) | 4,477 | 373 |
| 592 | Maintenance of Public Rights of Way | 648 | (36) | 612 | 20 |
| 34 | Other Highway Services | 167 | (133) | 34 | 0 |
| 511 | Retaining Walls and Bridges | 536 | (8) | 528 | 17 |
| 2,968 | Routine Maintenance | 3,100 | (30) | 3,070 | 102 |
| 6,399 | Safety Reaction | 6,711 | (93) | 6,618 | 219 |
| 3,960 | Winter and Emergencies | 3,945 | (60) | 3,885 | (75) |
| 21,135 | | 23,271 | (392) | 22,879 | 1,744 |
| Highway Network Management | | | | | |
| 4,920 | Highway Network Management | 8,172 | (2,411) | 5,761 | 841 |
| 4 | Management and Support | 215 | (211) | 4 | 0 |
| 4,924 | | 8,387 | (2,622) | 5,765 | 841 |
| 26,059 | | 31,658 | (3,014) | 28,644 | 2,585 |

Analysis of Changes:

£'000

Technical and Service changes

| | |
|--|--------------|
| Inflation | 1,285 |
| Additional funding to alleviate Highways network drainage issues | 1,000 |
| Review of income | 500 |
| | <u>2,785</u> |

Savings Strategies

| | |
|-----------------------------------|--------------|
| Efficiencies in winter operations | (200) |
| | <u>(200)</u> |

| | |
|--------------|--------------|
| Total | 2,585 |
|--------------|--------------|

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.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|---|---------------------|---------------------|--------------|---------------------|
| Size of Network | Km | 12,915 | 51 | 12,966 |
| Bridges | No. | 3,321 | 19 | 3,340 |
| Structural retaining walls (>1.35m height) | No. | 1,613 | 75 | 1,688 |
| Structural retaining walls (>1.35m height) | Km | 123 | 2 | 125 |
| Street lights total | No. | 78,728 | 1,016 | 79,744 |
| Street lights to have been converted to part night lighting | No. | 50,613 | 496 | 51,109 |
| Rights of way | Km | 5,000 | 11 | 5,011 |
| Strategic road salted after route optimisation | Km | 2,664 | 0 | 2,664 |
| Illuminated road markings and signs | No. | 10,174 | 0 | 10,174 |
| Gullies emptied | No. | 130,000 | 5,000 | 135,000 |
| Total grass area cut | m ² | 1 million | 0.25 million | 1.25 million |
| Surface dressed | Km | 328 | (94) | 234 |
| Resurfacing / reconstruction | Km | 66 | 60 | 126 |

Highways, Infrastructure Development and Waste

Infrastructure Development and Waste Management

| 2019/20 Adjusted Budget £'000 | | Gross Expenditure £'000 | Gross Income £'000 | 2020/21 Outturn Budget £'000 | 2020/21 Net Changes £'000 |
|--|---------------------------------------|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Infrastructure Development | | | | | |
| 196 | Compliance Surveys - School Buildings | 196 | 0 | 196 | 0 |
| (315) | Engineering and Design Group | 447 | (762) | (315) | 0 |
| 83 | Schools Estates Work | 83 | 0 | 83 | 0 |
| (36) | | 726 | (762) | (36) | 0 |
| Waste Disposal and Recycling | | | | | |
| 14,392 | Disposal of Statutory Waste | 19,358 | (3,966) | 15,392 | 1,000 |
| 2,367 | Landfill Tax on Disposal | 1,412 | 0 | 1,412 | (955) |
| 323 | Other Site Related Costs | 325 | (2) | 323 | 0 |
| 6,135 | Recycling Centres | 6,178 | (8) | 6,170 | 35 |
| 4,522 | Recycling Credits | 4,653 | 0 | 4,653 | 131 |
| 777 | Waste Management | 811 | (2) | 809 | 32 |
| 179 | Waste Minimisation Activities | 408 | (267) | 141 | (38) |
| 28,695 | | 33,145 | (4,245) | 28,900 | 205 |
| 28,659 | | 33,871 | (5,007) | 28,864 | 205 |

Analysis of changes:

£'000

Technical and Service changes

| | |
|--|------------|
| Inflation | 904 |
| Waste demographic and contract pressures | 51 |
| | <u>955</u> |

Savings Strategies

| | |
|--|--------------|
| Savings achieved from reductions in waste disposal | (420) |
| Impact of anticipated further reductions in waste tonnages | (330) |
| | <u>(750)</u> |

| | |
|--------------|------------|
| Total | 205 |
|--------------|------------|

Service Commentary

The purpose of Infrastructure Development is to deliver the 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.

The Waste Management service is responsible for the disposal 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. Following completion of the Brynsworthy Waste Acceptance facility in February 2019, less than 5% of Devon's residual household waste is now disposed of at landfill sites.

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. Tonnages have fallen over recent years and a continuation of this trend is expected to deliver further savings during 2020/21, although this cannot be guaranteed. Moving away from mixed organic waste collections to separately collected food and garden waste will deliver additional treatment savings.

Service Statistics and Other Information

| Service/ Activity | Unit of Measurement | 2019/20 Estimate | Change | 2020/21 Estimate |
|--|---------------------|---------------------|---------|---------------------|
| Municipal waste disposal to landfill | Tonnes | 15,000 | (2,750) | 12,250 |
| Municipal waste recycled (excl. soil & rubble) | Tonnes | 216,000 | 0 | 216,000 |
| Trade Waste - rechargeable income | Tonnes | 14,000 | 0 | 14,000 |
| Exeter Energy from Waste | Tonnes | 60,000 | 0 | 60,000 |
| Plymouth Energy from Waste | Tonnes (approx) | 54,500 | 479 | 54,979 |
| 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 |

Fees and Charges

Introduction

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

This report identifies new fees and charges included within the 2020/21 revenue budgets. It is proposed that changes to existing charges are set by cabinet member delegation, as in previous years.

Significant changes or new charges within Adult Services will be subject to formal consultation and are not included within this report.

Highways and Traffic Management

It is proposed that new charges are introduced for resident and business parking permits.

| Explanation of Service | Proposed Charge 2020/21 |
|--|---|
| Business Parking Permits | |
| Daily Trade Permit - permission to park on restricted roads while carrying out works | £5 for 1 calendar day £25 for 7 calendar days |
| Parking Waiver application - for exemption for certain parking restrictions | £10 for 1 calendar day £30 for 7 calendar days |

Medium Term Financial Strategy 2020/21 – 2023/24

Introduction

2019/20 is the last year of the four-year Local Government Financial Settlement. 2020/21 was expected to be the first year of a new multi-year settlement that would contain the outcome of the Fairer Funding Review, the Business Rates reset and 75% or 100% Business Rates Retention. Brexit and the national political turmoil have meant our reality is somewhat different to this.

In September the Chancellor, Sajid Javid, announced a one-year Spending Round that was badged as a 'Roll-forward' for Local Government. Some additional funding for Local Government was proposed including the SR19 Social Care Support Grant, Schools funding and SEND High Needs Block with most other funding either remaining at 2019/20 levels or increasing in line with the Consumer Price Index (CPI). The Fairer Funding Review along with both the Business Rates reset and Retention plans have not been completed or implemented.

As noted within the Revenue Budget Overview section the 2020/21 Provisional Settlement is the first since austerity began in 2010 that the County Council has not suffered a reduction in its Core Funding. Although this is very welcome a one-year settlement does nothing to alleviate the ongoing uncertainty over funding levels. Local Government cannot plan effectively with this level of short-termism.

The Medium Term Financial Strategy can, at this time, do little more than seek to ensure the authority is as financially resilient and flexible as it can be.

Funding

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 Councils to Central Government. Central Government redistribute these sums to authorities based on a Government assessment of need.

In 2016 the Government announced the Core Funding that the authority would receive for the four years up to and including 2019/20. Although this included significant reductions in our level of funding it did allow the authority to plan as effectively as it could for those reductions.

It was hoped that 2020/21 would be the first year of a new multi-year settlement but that is not the case. Rather than undertaking a Comprehensive Spending Review in 2019 the government instead published a one-year Spending Round. This has translated into a one-year Provisional Settlement with no information at all on Core Funding past 2020/21.

Revenue Support Grant (RSG) was once the main Central Government funding to Local Government but for the County Council was reduced to almost nil in 2019/20. There has been concern for several years that the authority's RSG would reduce to zero in 2020/21

or could even become negative. This has not happened and the decline in RSG has, at least for one year, been halted.

All elements of Core Funding will increase by CPI in 2020/21 but there is no indication of Government plans beyond this.

The level of uncertainty around the level of future funding the Authority can expect means that the MTFS is based on assumptions. The MTFS assumes that the halting of the decline in Core Funding is permanent and will continue to increase in line with inflation year on year. It is impossible to gauge if this is too optimistic or too pessimistic even but seems reasonable and prudent in the current climate.

Fairer Funding Review

Government made a commitment in 2016 to review local government funding and to create a system which reflects modern needs. Its fairer funding review was to seek to:

- Set new funding baselines for local authorities in England;
- Replace the current methodology which is considered out-of-date and complex;
- Design a new 'relative needs assessment' methodology by considering factors that drive the costs of service delivery and how to put these together analytically into new funding formulas; and
- Consider how to make a fair adjustment for 'relative resources' (e.g. council tax), and how to transition to new allocations quickly.

A national technical steering group and several sub-groups were established to provide information and expert advice to support the Local Government Association and the Ministry of Housing, Communities and Local Government (MHCLG) in advising Ministers on the setting up and implementation of the new system.

Central Government issued a consultation paper in December 2017 on relative needs and issued another consultation in December 2018 on a number of outstanding issues that needed to be settled.

However, since this time the Review has stalled. The Government had intended to introduce the outcome of the Review as part of the 2020/21 local government finance settlement, but we now know this did not happen.

The future of the Review is uncertain, but it is hoped that Government can find capacity and willingness to complete the Review and formulate a new funding programme for Local Government that is fair, equitable and more importantly sufficient.

Due to uncertainty and lack of information the Medium Term Financial Strategy can take no account of the Review.

Business Rates Retention (BRR) Reform

Sometime ago the government stated its intention for there to be a reset of current Business Rates and a move to 75% local retention from April 2020. As part of this process, the government has been reviewing the components of the business rates system, both individually and in aggregate, and the role the system can play in continuing to provide an incentive for local authorities to grow the business rates in their area while minimising complexity.

As with the Fairer Funding Review this work has stalled and has not been implemented as part of the 2020/21 Settlement but it is hoped that the work will be resurrected, and the changes implemented at some future point.

The Medium Term Financial Strategy can do nothing but assume the current 50% Business Rate Retention Scheme continues.

Council Tax

There has been in place for some years legislation that prevents Local Authorities from increasing Council Tax by more than a specified limit without seeking approval from residents via a referendum. The limit is set by Central Government annually, for 2020/21 it has been set at 2%. The MTFs takes a prudent view and assumes that the referendum limit will remain at 2%.

The other important factor in relation to Council Tax is the growth in the Council Tax Base. In 2020/21 the Tax Base increased by 1.3%. The MTFs assumes an annual increase of 1% in the base (a reduction of 0.5% on previous assumptions in the MTFs).

At current council tax levels a change in council tax base of 0.5% equates to £2 millions of council tax income.

Adult Social Care Precept

The Local Government Settlement for 2020/21 has given powers for Local Authorities with Adult Social Care responsibilities to raise Council Tax above the referendum limit by up to 2%. The income generated by this is ring-fenced specifically for Adult Social Care.

There is no information on whether this power will be extended beyond 2020/21 and the MTFs therefore assumes that there won't be any further Adult Social Care precept increases in future years.

Improved Better Care Fund Grant

The Improved Better Care Fund grant is distributed to authorities with Social Care responsibilities based on a formula that takes into account need and Council Tax raising ability.

As part of the Chancellors Spring Budget back in March 2017, further funding for authorities with Adult Social Care responsibilities was announced. This took the form of an additional Improved Better Care Fund Grant.

The Government requires both of these grants to be pooled in the Better Care Fund but used for Adult Social Care purposes. This means that decisions on how the money is spent are made jointly with the NHS Clinical Commissioning Group (CCG) in Devon. The Government has set out detailed improvements it expects to see including targets in relation to Delayed Transfers of Care (DToC). Indications are that if targets are not met then grants could be reduced or direction imposed on how they are to be spent.

For 2020/21 the Government has announced that the original Improved Better Care Fund Grant will continue along with the year 3 element of the Additional Improved Better Care Fund Grant. The Winter Pressures Grant has also been rolled into this funding stream.

The table below sets out the value of the three grant elements:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 & future years |
|--------------------------------------|----------------|----------------|----------------|----------------|---|
| | £m | £m | £m | £m | £m |
| Original Improved Better Care Fund | 0.2 | 10.2 | 19.7 | 19.7 | 19.7 |
| Additional Improved Better Care Fund | 15.2 | 10.2 | 5.0 | 5.0 | 5.0 |
| Winter Pressures | 0.0 | 0.0 | 3.6 | 3.6 | 3.6 |
| Total | 15.4 | 20.4 | 28.3 | 28.3 | 28.3 |

No announcement has yet been made on the level of grant the authority can expect beyond 2020/21; the MTFFS assumes the grant ongoing at £28 millions, but this is far from certain.

Spending and Balancing the Budget

Pressures, Savings and Efficiencies

The reduction in the authority's core funding since 2010 coupled with increasing price and demand pressures, particularly in Social Care, makes the balancing of the budget very difficult.

The service budgets on pages 35 to 85 details the pressures and savings within the 2020/21 budget. We will not replicate them here but will pick up on some of the key headlines that impact not only 2020/21 but into the medium term.

This budget recognises continuing financial pressure in Adult Care and Health with additional investment of £28.8 millions to fund current and forecasted pressures. Adult Care and Health services plan to make savings of £5.1 millions, and therefore the overall net increase in the budget is £23.7 millions, a 10.0% increase compared to the 2019/20 net budget.

There are three core cost drivers in Adult Social Care:

- Demand - the number of packages of care can be volatile in a number of areas. Learning disability services (including autism) have seen significant growth in activity over recent years and continue to be under pressure going forward, particularly as children in care transition to adulthood. Devon has an above average elderly population when compared nationally, which is forecast to continue increasing and therefore could risk additional pressure on services. The 2020/21 budget has been planned on the basis of the most recent volume data available at the time of preparation, with estimates made for anticipated growth in demand for services next year and the effects of planned savings strategies.
- Cost of care - the unit cost for packages of care is generally continuing an upward trajectory (having increased by about 8% over the last year) but can be volatile and is dependent on market conditions. On 30th December 2019 Government announced that the National Living Wage (NLW) will increase by 6.2% in April. NLW is the principal driver of price inflation in the care markets because it impacts directly on the price of labour. In Devon, NLW is now estimated to add about £9.4 millions to the cost of adult social care packages in 2020/21. Workforce recruitment and retention (both for social workers and in the care provider markets) continues to be a risk because a shortage of care workers drives up unit costs of care packages. The possibility of a 'no deal' Brexit at the end of 2020 and uncertainty regarding the structure of a future UK immigration policy scale are risks which may exacerbate problems with the labour supply. The latest average unit rates (uplifted for inflation) have been used during budget planning.
- Acuity and Complexity - the acuity (intensity of support required) and complexity (number of conditions impacting on individuals) is increasing with our ageing population. This means that the support needed for each individual is (on average) greater year on year. As an example of this the average personal care package in the last year has increased from 10 to 12 hours per week.

In Children's Social Care one of the greatest pressures continues to be the rising cost of residential and supported accommodation for looked after children. This is largely driven by the ongoing lack of sufficiency in the market at local and national levels, particularly for those meeting the increasingly complex needs of children and adolescents.

The number of looked after children rose sharply in the early part of 2019 reflecting national trends but has since stabilised. In recognition of this and other changes in the types of packages of care children and young people need access to, across the service £2.5 millions has been provided in the budget to meet growth in demand in addition to £2.4 millions for inflationary pressures. An additional £1.4 millions has been allocated for short breaks and community-based packages for disabled children to better meet increasing demand and complexity.

Transitions into adulthood can be a major challenge for young people and their families. Investment of £247,000 has been provided to fund an additional team of social workers who will ensure effective and timely intervention for all young people who will need support, including those with autistic spectrum conditions and complex needs, so that they are supported to be independent, resilient and thrive into adulthood.

The Public Health Nursing Service transferred into DCC's Children's Services in April 2019. The service is funded by Public Health Grant of £10.1 millions and other income of £400,000.

A national shortfall in trained Health Visitors and School Nurses and the non-filling of vacancies has resulted in high case-loads that exceed national guidance. The budget for 2020/21 allows for additional funding of £1 million to increase front line capacity to meet demand. The Service is actively recruiting to the vacant posts which are critical to the delivery of an effective Public Health Nursing service across Devon. Better use of IT and accommodation will also ensure the service is fit for purpose.

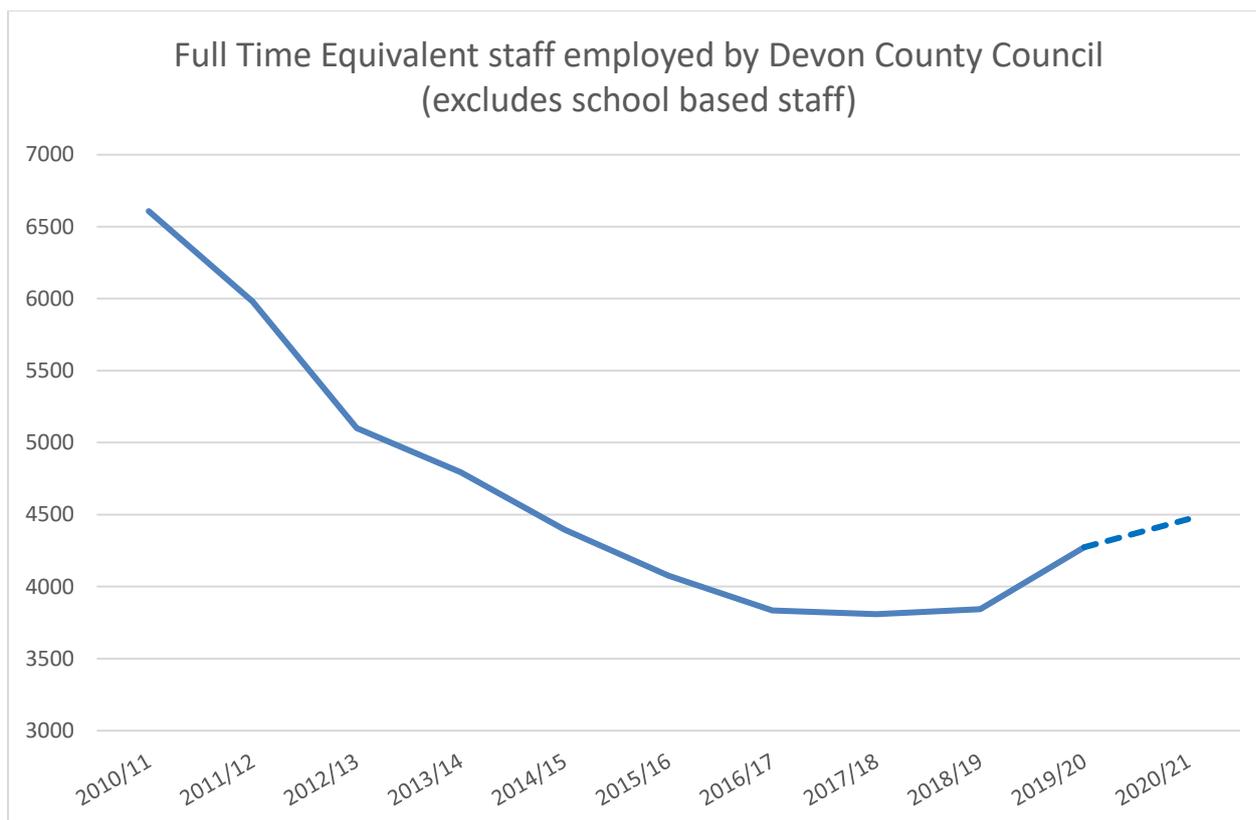
During 2019/20 it is proving very difficult to contain the costs of SEND within the High Needs Block funding being received from Government. The current projection is an overspend of £21.5 millions and when the 2020/21 projected funding shortfall of £23.8 millions is added to this the cumulative deficit is over £45 millions. Department of Education procedures will require the authority to submit to them a recovery plan at the end of the current financial year; the plan will need to set out the authority's strategy to recover the deficit within the DSG in future years. To facilitate this, the balance to be recovered will be held on the Balance Sheet effectively as a negative reserve, that should, in theory, reduce over time. This is a very important issue and more information is provided on page 96.

The following table sets out the savings required to balance the budgets in 2020/21 and into the medium term. As discussed earlier, there is however significant uncertainty over funding for Local Government after 2020/21 so these figures are very much a best estimate and will need to be refreshed as the Government's intentions crystallise.

The savings of £7.5 millions identified in 2020/21 take the total level of savings for the Authority since 2010 to just over £272 millions. Further savings from 2021/22 are needed to address the pressures on services and the uncertainties in future funding.

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Savings Required | (7,499) | (17,788) | (13,143) | (15,105) |
| Savings Identified | (7,499) | (1,364) | 0 | 0 |
| Savings to be Found | 0 | (16,424) | (13,143) | (15,105) |

Since 2010 there has been a reduction in the numbers of full-time equivalent staff (FTE) employed by the County Council (excluding schools based staff) from 6,608 in 2010/11 to 3,809 in 2017/18.



In 2019/20 this trend reversed, and FTEs increased by 431. In 2020/21 it looks like this trend will continue and staff numbers are forecast to increase by 144 predominantly due to insourcing within Social Care and grant funded posts.

Pension Fund Valuation

The Triennial Valuation of the Devon Pension Fund as at 31 March 2019 was undertaken by the Fund Actuary during 2019/20, with the result that Devon County Council's funding position improved from 80.5% to 86.7%. The Triennial Valuation sets the contribution rates for employers, including Devon County Council, for the next three years – 2020/21, 2021/22 and 2022/23.

The total contribution rates payable by employers consists of two elements, the primary rate and the secondary rate. The primary rate is the anticipated cost of the pension rights that employees will accrue each year in the future. The primary rate, or future service rate is expressed as a percentage (%) of pensionable payroll. The Actuary has used a more prudent discount rate to assess liabilities compared to the previous 2016 valuation, and as a result the primary rate for 2020/21 and the following two years has increased from 15.1% to 17.0%. The secondary rate, or deficit recovery rate arises where the cost of pension rights that have already been accrued turn out to be higher than expected, resulting in a deficit, and is set as a cash figure. As a result of the Council's improved funding level, the deficit amount for 2020/21 and the following two years has reduced compared with 2019/20. This means that taking the primary and secondary rates together the overall employer contributions payable by the Council will be broadly the same over the next three years as in 2019/20.

The Pension Fund has made available, to all employers, the option to make an advance payment of three years' deficit contributions, in return employers will receive a 4.5% discount on the payment required. It is therefore proposed to pay £32 millions into the Pension Fund during April 2020, representing the total deficit contributions set for the

Council for the next three years, less the discount. This will result in a saving of £0.5 million in each of the next three years.

Our Approach

The MTFs seeks to ensure the authority is as flexible and resilient as it can be to enable it to cope with the unprecedented level of uncertainty around funding coupled with significant demand and price pressures. This section sets out what the authority is doing to innovate and work with others to put ourselves in the strongest position we can to cope with the uncertainty we face.

Doing What Matters for the People of Devon

The work emerging from our organisational change approach, 'Doing What Matters', is playing a pivotal role in helping the authority to transform the way it works, understand drivers of cost, and develop our ambition to be a learning organisation.

By challenging the way we think, testing our assumptions, and understanding what life really feels like for people in Devon, we are unlocking the potential to work differently with our partners and citizens to improve outcomes for the people of Devon.

Connecting with colleagues across Devon County Council and seeking to understand the processes and systems in place, we are identifying some areas of duplication, complexity and misunderstanding that are being challenged to change.

We will use this understanding to work alongside our finance colleagues to develop innovative, business solutions and drive transformation that creates, adds and enables value for the organisation and for citizens.

Important to the success of the approach are the behaviours of our present and future leaders within the Council. We are investing in their development through a programme that supports them with their thinking, behaviours, and positive, inclusive approach to leadership.

This investment, and an understanding that colleagues are empowered to make a lasting contribution to the direction of the organisation based on their experiences, professionalism and insights, will help to create a culture of learning, increase morale and lead to a more productive workforce.

And by sharing this learning across Devon County Council, we will be able to grow our capacity, strengthen relationships with colleagues, partners and communities and help create a Devon where everyone can live their life well.

Better Care Fund & Pooled Budgets

The Better Care Fund was first introduced in April 2015 and enables the local authority and the Clinical Commissioning Group (CCG) to pool budgets in support of an integrated spending plan that focuses on people-centred solutions and removes organisational boundaries and siloed funding streams. It is the most significant financial vehicle that national government uses to promote the integration of health and social care as part of its national policy agenda. The Devon pooled budget currently amounts to £101.97 millions and is hosted by the Council. The Council along with its CCG partner is committed to further integration of budgets where this achieves better outcomes for its residents and has the scope to deliver efficiency savings for the local health and social care economy. In the spring budget 2017 the government announced additional monies for adult social care branded as the iBCF and this is subject to the same arrangements as the original BCF. In October 2019 it was also announced that the funding previously

earmarked specifically for winter pressures would be added to the iBCF funding for 2020/21.

The BCF and the iBCF funding continues with four national conditions that must be met for the plan to be agreed nationally:

- The plan must be jointly agreed between the council and the CCGs;
- The CCG financial contribution to social care must be agreed. In Devon this is currently £13.5 millions;
- There must be agreement to invest in NHS commissioned out of hospital services; and
- There must be a plan to manage transfers of care across the health and care system.

In addition, the plan remains with four performance indicators (metrics) that are measured and reported each quarter to national regulators:

- Reduction in unplanned (non-elective) admissions;
- Rate of admissions to residential and nursing care;
- Reablement success – the proportion of older people (65+) who were still at home 91 days after discharge from hospital; and
- Delayed Transfers of Care (DTOC).

Improving DTOC rates continues to be a significant priority nationally with each area being closely monitored on performance. We need to comply with the national conditions and meet ongoing performance targets as part of national monitoring of performance.

Moving towards a Digital Devon

Digital technology is increasingly important in all our lives and is transforming the way we all work, communicate and do business. We want to be an innovative and creative council at the forefront of technological development so that we can help make life easier and more convenient for everyone we come into contact with. Developing Digital solutions is a key enabler for saving strategies and ensuring the Council can operate in a modern and efficient way to meet customer expectations. Digital technologies and processes touch every part of our organisation and the work that we do for our communities.

Our digital principles guide the way we work:

- Get close to the customer;
- Understand the problem that needs to be solved, in context;
- Use digital tools when they are appropriate; and
- Build, test, listen and improve digital solutions ensuring the purpose, impact and value are understood.

The key themes and priorities for the digital journey include:

- **Connectivity & Infrastructure** - Enabling digital inclusion for all communities, helping them live their lives well, and supporting business and economic growth;
- **Skills & Knowledge** - Helping people and communities benefit from connectivity through training, support and awareness and developing a skilled and digitally knowledgeable local workforce;

- **Democracy & Engagement** - Opportunities to bring digital to the heart of decision making and supporting democracy in action such as webcasting and social media. Ensuring Accessible information for all our communities that meets recognised standards e.g. British Sign Language;
- **Tools & Transactions** - Doing business with the Council online e.g. payments, online chat, report-it, e-marketplace/procurement, self-serve, etc; and
- **Data & Intelligence** - Moving towards Open data standards to improve collaboration with partners and the public. Enabling Data and intelligence to be better utilised to make good decision making and ensuring our data is safe and secure.

Working in Partnership

The Council has continued its work alongside a range of strategic partners to develop new ways of working, agree shared outcomes, improve delivery for people across Devon, better share and deploy resources, and to create efficiencies and savings.

The Council's Communities Strategy reflects its ambition for collaboration on key themes and priorities and there are many positive examples of this over the last year. We are increasingly seeking to shift approaches locally from responding to crisis and risk alone, to creating places and systems that build on the strengths and assets of people and communities; alongside supporting health and wellbeing, resilience and recovery, and greater connection with community for insight and learning.

Through our funding opportunities and commissioning we will support community development and further investment in communities and wellbeing, develop local innovation and innovators and further build whole place and whole system approaches. The Council's three community funding schemes introduced in 2019 (Doing What Matters, Crowdfund Devon and the Making the Connection fund) have been particularly successful in supporting local projects and in encouraging community resilience and cohesion.

The council continues to see strong partnerships as the preferred and most effective route to tackling the key and emerging strategic challenges facing Devon including climate change, our demographic challenge and gaps in wealth, opportunity and social mobility. The Council will continue support, and where helpful, lead collaboration on key issues and opportunities for Devon.

Heart of the South West

Since 2015 the Authority has been a member of the Heart of South West Joint Committee, a formally constituted partnership with Somerset County Council; Torbay Council; Plymouth City Council; twelve Devon and Somerset District Councils; Exmoor and Dartmoor National Parks; two Clinical Commissioning Groups and the Heart of the South West Local Enterprise Partnership focused on representing the socio-economic ambitions for Devon and Somerset with Government. The Joint Committee has agreed a Productivity Strategy and Delivery Plan for the area that has replaced the Single Economic Plan for Devon and Somerset. The Joint Committee is also a joint signatory to the Heart of the South West's Local Industrial Strategy that has been co-designed with Government and the Local Enterprise Partnership. The Local Industrial Strategy is awaiting Ministerial approval. This will enable funding to be secured from Government for a range of interventions to boost the economic potential of our part of the region.

This is a strategic body that is looking to the longer term and is focused on a range of offers and asks to Government to improve digital and physical connectivity, infrastructure, skills and employment opportunities, business growth and innovation and

will, through a new strategic investment arrangement help our businesses, people and communities to realise their full potential for prosperity and wellbeing. It is pushing for greater powers, funding, freedoms and flexibilities to deliver on this agenda and is making the case for powers to be shifted from Westminster to local areas to help with the rebalancing on the UK economy.

Ring Fenced Accounts

Dedicated Schools Grant

Schools Funding

In August 2017, the government finalised the introduction of the National Funding Formula (NFF) for schools. Devon is grateful for the increases to the overall national funding rates that have seen a further increase of £19.1 millions within the Schools Block, however Devon remains a low funded authority.

In 2020/21 the local authority will continue to determine the final allocation for school funding through a local formula, but as a result of the increased funding allocation is able to fund at the National Funding Formula rates for the first time since they were introduced.

The authority, with the support of schools and MPs, continues to state our concerns that although this is a step in the right direction there still needs to be further reviews around the allocation of funds through deprivation factors and minimum funding levels.

The Early Years national funding formula allocates funding to the local authority for the childcare entitlement for 2, 3 and 4 year olds. 2020/21 sees the third year for the additional 15-hour entitlement (30 hour childcare policy) and includes hourly rate increases for all entitlements by 8p an hour.

Special Educational Needs & Disabilities SEND

High Needs has seen additional funding from the Secretary of State of £6.8 millions in 2020/21. However, this is insufficient to meet current demand and costs. There continues to be considerable growth in the number of students with Education and Health Care Plans as well as increasing complexity of need. After taking into account the additional £6.8 millions of funding there is a forecast funding shortfall of £23.8 millions in 2020/21.

This pressure follows on from what has already been a very difficult year to contain SEND expenditure within the funding being received from Government and will require the authority to submit a recovery plan at the end of 2019/20; the plan must set out the authority's strategy to recover the deficit within the DSG in future years.

In line with proposals, consulted on by the Department for Education the Authority cannot support the dedicated schools fund deficits from its general resources without permission from the secretary of state, instead it is anticipated that the forecast cumulative deficit in 2020/21, of over £45 millions, is to be held on the balance sheet effectively as a negative reserve to allow the deficit to be managed across several years and give time for service managers and schools to develop recovery plans and central government the opportunity to significantly increase the funding for this valuable service.

Public Health

The Public Health grant remains ring fenced for 2020/21. The value of the grant for 2020/21 has not yet been confirmed but it has been indicated that Local Authorities should expect a 1.7% inflation increase and a 1% increase for additional duties related

to HIV prevention. Therefore the grant value is currently estimated to be £27.509 millions an increase of £723,000 (2.7%) on the grant received in 2019/20

It has long been expected that the ring fence would be removed from this grant but this has not yet been announced by Government. The Medium Term Financial Strategy assumes therefore that the ring-fence remains in place and the Grant will remain at £27.5 millions.

Financial Resilience

In July 2018 CIPFA developed a proposal to publish an index of resilience of English councils, designed to support the local government sector as it faces continued financial challenge. Following last year's pilot release of the Financial Resilience Index CIPFA publicly launched the Index for the first time in December 2019.

Financial resilience describes the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment.

The Index is sub-divided by type of Authority; Devon is one of the 27 upper tier County Councils. CIPFA has developed nine key Indicators of Financial Stress that focus on Reserves, Borrowing, Social Care and Income.

CIPFA's assessment is based on information that is publicly available from Government returns that each Local Authority completes. The Index is designed to rank authorities by comparing them with one another - at its simplest level a ranking of 1 is top and 27 is bottom however, for some of the Key Indicators, authorities can be ranked the same as others, for instance the Reserves sustainability where all authorities whose reserves are increasing are ranked as '1'. It is also worth bearing in mind that it doesn't necessarily mean, that 1 is good and 27 is poor; you could be the best of a bad bunch or bottom of a good bunch!

The table below sets out the results for Devon and shows the authority's ranking within the 27 County Council. The table also shows the range of results across the 27 Councils; from the best being lowest risk to the worst being the highest risk

Devon compares well with the other County Councils with the only areas of concern being the fourth and fifth indicators, Interest payable as a percentage of net revenue expenditure and Gross External Debt respectively. The authority has higher historic levels of debt than the average county council but since 2008/09 the Council has not taken out any new borrowing. The relatively high interest payments reflect both the level of debt and the time when the borrowing was taken out, when interest rates were higher than they are at present.

| | Indicators of Financial Stress | | | |
|--|----------------------------------|--------|----------------------|-----------------------|
| | 27 county councils 31 March 2019 | | | |
| Rank 1 = lowest risk 27 = highest risk | Rank | Devon | Lowest Risk in Range | Highest Risk in Range |
| Reserves sustainability – how quickly are usable reserves being used up - the ratio between current level of reserves and the average change in reserves in each of the past three years. A score of 100 indicates that reserves have not reduced in the past three years | 1 | 100.00 | 100.00 | 7.72 |
| Level of reserves – the ratio of current level of reserves to the council's net revenue expenditure. | 14 | 28.15% | 60.03% | 7.96% |

| | | | | |
|--|----|--------|---------|----------|
| Larger councils would be expected to have larger reserves than smaller councils for the same risk. | | | | |
| Changes in reserves – the average percentage change in reserves over the past three years | 3 | 64.44% | 142.59% | -27.98% |
| | | | | |
| Interest payable as a percentage of net revenue expenditure | 23 | 5.07% | 0.67% | 7.57% |
| Gross external debt - including PFI & PPP contracts | 20 | £627 m | £243 m | £1,187 m |
| | | | | |
| Social care ratio –total spending on adults and children’s social care as a proportion of net revenue expenditure | 16 | 70.61% | 62.25% | 80.57% |
| Fees and charges to service expenditure ratio – total fees and charges as a proportion of net revenue expenditure | 6 | 10.43% | 14.65% | 5.13% |
| Council tax requirement / Net revenue expenditure – council tax income as a proportion of net revenue expenditure | 12 | 74.40% | 88.53% | 63.60% |
| Business Rates growth above baseline – growth is the Authority’s share of actual rates in excess of the baseline funding level. This growth is divided by the baseline funding level. | 10 | 2.00% | 1.00% | 6.00% |

In conclusion, CIPFA’s financial resilience indices show the authority to have sustainable financial resilience with improvements over recent years to the level of reserves.

Reserves & Balances

The level of Reserves and Balances the authority holds is important context for Medium Term Planning; the General Fund Balance and Reserves are held to help the authority manage risk and uncertainty. The Schools Balances are held by the authority on behalf of Devon Maintained Schools and the authority has no access to them. The SEND High Needs Reserve, within the Dedicated Schools Grant, is a negative reserve that holds the cumulative overspend or underfunding of the High Needs Block of the DSG. The following table shows the projected Reserves and Balances up to 31 March 2024.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--------------------------------|----------------|-----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| General Fund | | | | | |
| Working Balance | 14,757 | 14,757 | 14,757 | 14,757 | 14,757 |
| Earmarked Reserves | 110,362 | 106,957 | 106,310 | 108,250 | 110,250 |
| | <u>125,119</u> | <u>121,714</u> | <u>121,067</u> | <u>123,007</u> | <u>125,007</u> |
| Dedicated Schools Grant | | | | | |
| Schools Balances | 16,203 | 16,203 | 16,203 | 16,203 | 16,203 |
| SEND High Needs | (21,500) | (45,300) | n/k | n/k | n/k |
| | <u>(5,297)</u> | <u>(29,097)</u> | <u>n/k</u> | <u>n/k</u> | <u>n/k</u> |

*n/k - not known

The detail make-up of these reserves is within the Reserves and Balances section on pages 101 to 107

The overspend resulting from underfunding of SEND High Needs is a major concern for the authority. The Government's consultation on the Dedicated Schools Grant conditions set out quite clearly that local authority's general fund cannot be used to offset any overspending, but it did not set out what Government intends to do about it. For the

time being the Balance is simply being carried forward - but this cannot be a long-term strategy. More information on this is included on page 96.

Capital Strategy & Borrowing

The Capital Strategy sets out the policy framework for the development, management and monitoring of capital investment this is shown alongside the treasury, borrowing and investment strategies, on pages 109 to 126.

The Capital Programme is managed over a five-year period to invest in assets to support achievement of the Council's Priorities and in accordance with the Capital Strategy. 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 pages 18 to 33.

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. The new starts added to the Capital Programme is shown on pages 18 to 33.

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 £36.8 millions in 2020/21 (excluding PFI/PPP arrangements). Unlike many other Authorities there is no intention to borrow to invest in commercial operations.

The Council's Minimum Revenue Provision Policy is set out in the Treasury Management Statement. The Council will continue its commitment to forward fund schemes in advance of the receipt of section 106 and Community Infrastructure Levy (CIL) monies, only where internal cash resources allow.

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, or schemes reprioritised.

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. 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. Current interest rate forecasts suggest that it is extremely unlikely that gilt yields will rise sufficiently to cancel out the premiums in the medium term, until toward the end of the 2020's.

The overall level of debt for capital financing and the impact on the revenue account is shown on pages 18 to 33.

Risk Management

The Financial Strategy seeks to demonstrate 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 lack of information from Government on Local Government funding beyond 2020/21 makes planning over the medium term very difficult.

The Council is 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 page 137 to 149.

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 £1 billion per annum.

Conclusion

This time last year there was concern that the 2020/21 Local Government settlement would be announced late and would be very low. The settlement was late but it has been described as the "least worst" settlement for well over a decade. It has given a 1.6% increase in core funding. As a consequence the reductions required to balance the budget are the lowest for well over a decade.

Despite this it has not been easy to set the 2020/21 budget. The Council has been dealing with the impact of austerity since 2009 and each year it has become harder to find efficiencies and savings. Social Care services are dealing with significant and growing price and demographic pressures. It is still unclear how the SEND funding deficit will be dealt with. If a solution is not found either locally or nationally then at the end of 20/21 the Council will be carrying on its balance sheet a negative balance of £45 millions.

Looking beyond next financial year, it is impossible to know if the 2020/21 settlement signals an end to austerity or is just a one year reprieve that will be followed by less favourable settlements. For the financial year 2021/22 the only certainty seems to be continuing uncertainty.

County Fund Balance and Earmarked Reserves 2020/21

Introduction

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

The level of reserves and balances the authority holds is important context for Medium Term Planning; they are held to help the authority manage risk and uncertainty.

The authority holds four types of Reserves and Balances:

- Working Balance (County Fund) - effectively the emergency back-stop;
- Schools Balances - these belong to schools and the authority has no access to them;
- Dedicated Schools Grant - SEND High Needs Deficit (new from 2019/20) - where expenditure on the DSG High Needs Block exceeds the grant income from Government. This is explained on page 103.
- Earmarked Reserves - made up of:
 - Statutory Reserves – these are regulated by statute and can only be spent on specified items and include Public Health and On Street Parking;
 - Contingency Reserves – to cover weather emergencies, budget risks and business rate pooling risks; and
 - Service Development and Transformation – to cover the cost of invest to save schemes and transforming our services including redundancy costs.

Table 1 summarises the authority's projected revenue reserves and balances

Table 1 - Summary of Reserves and Balances

| | 31 March 2020 £000 | 31 March 2021 £000 | 31 March 2022 £000 | 31 March 2023 £000 | 31 March 2024 £000 |
|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund | | | | | |
| Working Balance | 14,757 | 14,757 | 14,757 | 14,757 | 14,757 |
| Earmarked Reserves | 110,362 | 106,957 | 106,310 | 108,250 | 110,250 |
| | 125,119 | 121,714 | 121,067 | 123,007 | 125,007 |
| Dedicated Schools Grant | | | | | |
| Schools balances | 16,203 | 16,203 | 16,203 | 16,203 | 16,203 |
| SEND High Needs | (21,500) | (45,300) | n/k | n/k | n/k |
| | (5,297) | (29,097) | n/k | n/k | n/k |

*n/k = not known

There is a high level of uncertainty as to future funding from the Government for the DSG High Needs Block and also to the agreement and delivery of deficit recovery plans. The key issues are explained later, on page 103.

The following pages 102 to 107 describe the authority's County Fund balance and earmarked reserves.

County Fund Balance

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. 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 Working Balance (County Fund) risk analysis has been reviewed and minor adjustments made. Balances as at 31 March 2020 are forecast at just under £14.8 millions which achieves the minimum target for balances established by the risk assessment exercise, so no additional contribution to general balances is proposed for 2020/21. 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 2.

Table 2 – Risk assessment - level of County Fund Balance

| Risk Assessment and Mitigation Plans | | | | | |
|--|--------------------------------|--------------------------|--------------------------|--------------------------|--|
| Area of Risk | Potential Level of Risk | | | | Mitigation |
| | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | |
| <u>Adult Care and Health</u> | | | | | |
| Adult Care Operations and Health | 6,735 | 7,041 | 7,041 | 7,041 | |
| Adult Commissioning and Health | 682 | 758 | 758 | 758 | |
| <u>Children's Services</u> | | | | | |
| Children's Social Care | 3,723 | 3,723 | 4,033 | 4,033 | |
| Education and Learning - General Fund | 1,431 | 1,431 | 1,431 | 1,431 | |
| <u>Community, Public Health, Environment and Prosperity</u> | | | | | |
| Communities and Other Services | 138 | 138 | 138 | 138 | All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time. |
| Economy, Enterprise and Skills | 76 | 76 | 76 | 76 | |
| Planning Transportation & Environment | 266 | 266 | 266 | 266 | |
| Public Health | 287 | 287 | 287 | 287 | |
| <u>Corporate Services</u> | | | | | |
| Chief Exec, HR, Legal and Communications | 154 | 154 | 154 | 154 | |
| Cross Council Savings Strategies | 50 | 50 | 50 | 50 | |
| Digital Transformation and Business Support | 338 | 338 | 338 | 338 | |
| Organisational Development | 12 | 12 | 12 | 12 | |
| Treasurer's Services | 221 | 221 | 221 | 221 | |
| <u>Highways, Infrastructure Development and Waste</u> | | | | | |
| Infrastructure Development & Waste Management | 339 | 339 | 339 | 339 | |
| Highways and Traffic Management | 317 | 317 | 317 | 317 | |
| Total | 14,769 | 15,151 | 15,461 | 15,461 | |

The major risks affecting the County Council have been outlined on page 137 to 149. Judgements have been made about the likelihood of overspending and this has been

converted into a financial measure. The results are shown in Table 2. Although historically, there has been overspending in individual services, the Council has been able to deliver underspends on its overall net budget. Consequently, the current level of balances is sufficient to contain the risk of any potential service overspends until at least the following year's budget setting. However, to further mitigate this risk and before a call on balances is considered, earmarked reserves will be utilised. There is a risk that collection rates for both council tax and business rates may fall short of the targets set. These budgets are notified by the billing authorities at the start of the year.

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.

Dedicated Schools Grant (DSG) - High Needs Block

In 2019/20, as part of the approval of the budget a reserve of £3.5 millions was created to manage the significant cost pressures from High Needs / Special Educational Needs and Disabilities. Since then the cost pressures have increased and a forecast overspend of £21.5 millions is forecast for 2019/20 and a further deficit of £23.8 millions for 2020/21.

The Department of Education recently announced plans to ring fence overspending on DSG. This ring fence would prevent Local Authorities using their General Fund resources to fund any overspending without the prior written approval of the Secretary of State.

It is therefore no longer appropriate to hold £3.5 millions for this purpose and the earmarked reserve of £3.5 millions will be transferred from SEND High Needs Reserve into the Budget Management Reserve.

Department of Education procedures will require the authority to submit to them a recovery plan at the end of the current financial year; the plan will need to set out the authority's strategy to recover the deficit within the DSG in future years. To facilitate this, the balance to be recovered will be held on the Balance Sheet effectively as a negative reserve, that should, in theory, reduce over time.

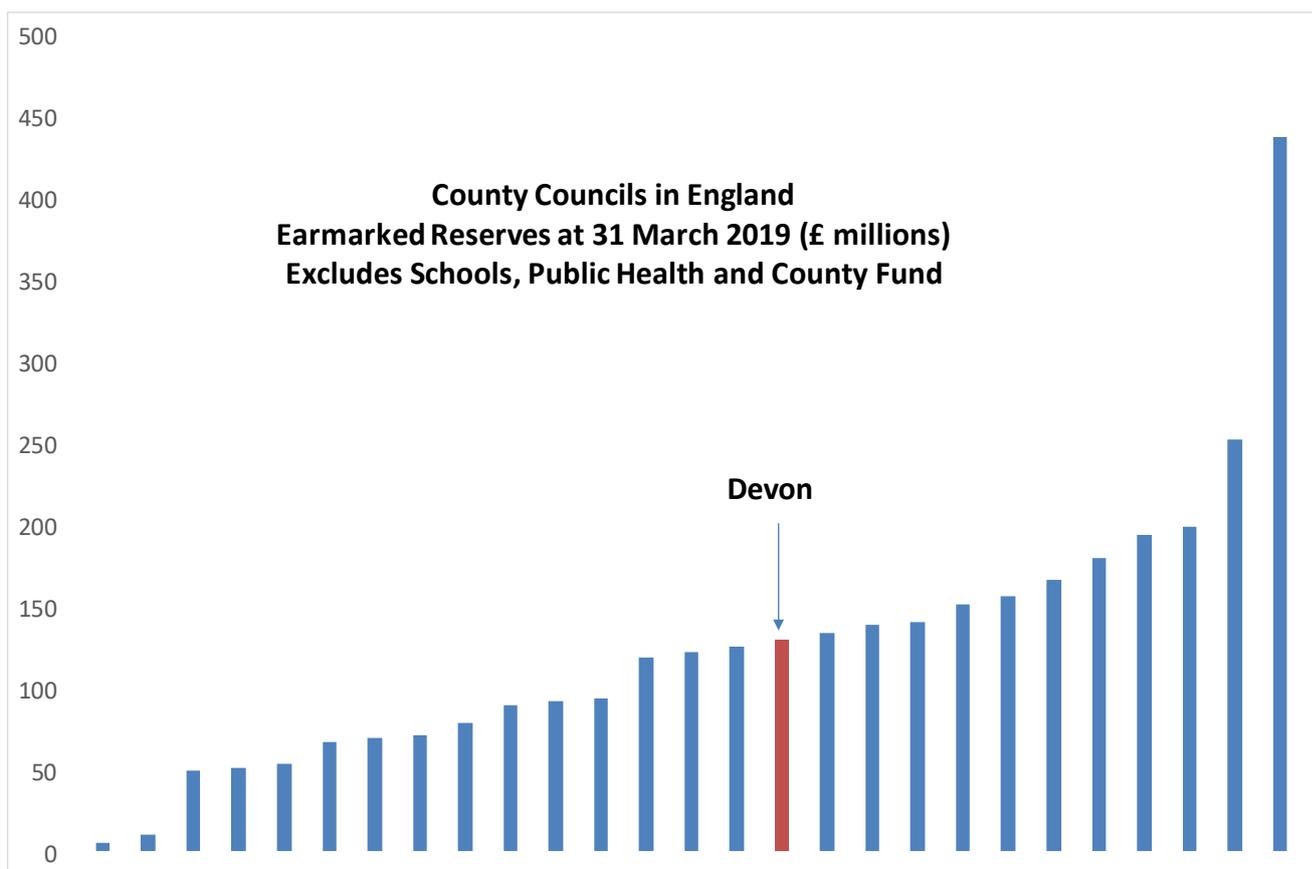
Although the deficit is required to be recovered from DSG in future years, the negative cumulative deficit of £45 millions will reduce the cash available in earmarked reserves. Until future DSG is used to clear the deficit, the authority's ability to use earmarked reserves could be restricted.

Earmarked Reserves

Table 3 on page 107 provides a description of each earmarked reserve and its projected balance at the end of each financial year until March 2024.

The level of earmarked reserves held by the authority is now around average compared with other County Councils. At 31 March 2019 Devon's earmarked reserves were 16th lowest out of 27 County Councils. This represents a steady improvement since 2016 when Devon was 7th lowest.

The following chart shows the earmarked reserves (including budget carry forwards) for the twenty-seven county councils in England.



In 2020/21 £7.9 millions of earmarked reserves will be used to support expenditure:

- £3.4 millions from the Service Transformation reserve to support restructuring and transformation costs;
- £2.2 millions of one-off gains from the business rates pilot in 2018/19 to fund save to invest initiatives in Children's Services;
- £1.5 millions of receipts from on-street parking will be used to support expenditure in Highways;
- £500,000 from the ring fenced Public Health reserve;
- £161,000 from the Climate Emergency fund; and
- £116,000 from other reserves.

The authority's budgeted use of reserves is higher than in previous years and there will be a contribution to the Budget Management Reserve of £4.5 millions in 2020/21.

Statutory Reserves

On street parking

The on-street parking reserve is ringfenced to fund transportation improvements and initiatives. At 31 March 2018 the reserve was £5.4 millions. In 2018/19 £2 millions of the reserve was used to fund expenditure and a further £1.6 million is forecast to be used in 2019/20. The 2020/21 budget plans to use the remaining £1.5 million leaving the forecast balance at 31 March 2021 of £156,000.

After 2020/21 the Highways service has plans to ensure the continued financial sustainability of the reserve by reviewing the initiatives which it currently funds.

Public Health Reserve

The 2020/21 budget anticipates that the Public Health reserve will be fully utilised by 31 March 2021. However, this is dependent on the level of the Public Health Grant which is not known at this time.

Contingency Reserves

Budget Management Reserve

At the end of 2018/19 the Budget Management Reserve was increased to £53.5 millions, mainly as a result of the transfer of the balance on the Minimum Revenue Provision Risk Reserve of £10.9 millions. This Budget Management Reserve is held to meet the risk of future budget pressures and the risks around future funding from Government as outlined in the Medium Term Financial Strategy. It has been increased by the transfer of £3.5 millions from the SEND High Needs Reserve and it will increase by a further £4.5 millions in 2020/21.

Business Rates Risk Management Reserve

In 2013/14 the Government introduced the Business Rates Retention Scheme and the authority joined Plymouth, Torbay and the eight district councils of Devon to form a business rates "pool" to share the gains of growth within Devon (as well as pool the risks from any downturn).

Over the six years to March 2019, pooling gain and one off gain from being a pilot of 100% rates retention in 2018/19 have amounted to £24.2 millions. The authority has set aside £11.5 million from the one-off gain from the business rates pilot for invest to save initiative for Children's Services. There is a remaining balance of £12.7 millions in the Business Rates Risk Management Reserve to cover:

- potential future losses from the Devon Business Rates Pool
- funding uncertainties arising from the national reset of Business Rates, originally expected in April 2020 but now deferred until April 2021 or later.

Emergency

The Emergency Reserve is established to manage exceptional unforeseen costs, uncertainties and emergencies

The extreme weather in 2012 illustrates why allowing for this is necessary. The cost of the clear up after the flooding, repair and reinstatement works was £13.6 millions. Of this total amount £3.1 millions was met by Government through the Bellwin Scheme. A net revenue cost of £10.5 millions 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. It is therefore essential that an earmarked Emergency Reserve is provided as a general contingency long stop.

Service Development and Transformation Reserves

Business Rates Pilot Reserve

In 2018/19 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 with Children's Services over several years. £95,000 was spent in 2018/19 and a further £583,000 is forecast to be spent in 2019/20. This leaves a balance of £10.9 millions available from 2020/21. The projected balance, over the next four years, taking into account the initiatives agreed to date for this reserve is set out in Table 3.

Climate Change Emergency

In May 2019, Cabinet approved the creation of a Climate Change Emergency Reserve of £250,000 from Outturn 2018/19. This reserve covers the revenue costs associated with the management of projects and research relating to Climate Change. Capital costs of schemes to deal with Climate Change are in addition to this reserve and are detailed in the Capital Programme. The projected use of the reserve over the next two years is set out in Table 3.

Service Transformation

The Service Transformation Reserve funds the costs of restructuring and transformation. In 2020/21 the planned use of this reserve is £3.4 millions as outlined in Table 3 and the planned expenditure is classified in the following categories:

- £1.5 millions on the revenue costs (such as training, IT support) associated with new IT systems such as Eclipse, HR Management
- £1.2 millions on restructuring and redundancy costs
- £700,000 for Public Health Nursing

The Service Transformation Reserve is usually maintained through a contribution from the revenue budget. Although there is no contribution to the Service Transformation Reserve in 2020/21, there is a contribution of £4.5 millions to the Budget Management Reserve. The Medium Term Financial Strategy assumes an annual level of contribution to the Service Transformation Reserve of £5 millions from 2021/22 through to 2023/24.

Conclusion

There is a significant level of uncertainty around the Council's sources of funding after 2020/21, including a new Comprehensive Spending Review (how much Government funding will be available to local government), the fairer funding review (how that Government funding will be shared between different types of authority) and changes to the share of business rates retained locally. There is also the uncertainty of the impact of leaving the EU will have on the wider economy and public sector funding.

In addition, the authority needs to have sufficient reserves and balances to offset the cash spent on the significant projected deficit on the High Needs block for DSG.

For these reasons the Council's earmarked reserves are forecast to remain above £100 millions. This level of reserves is broadly in line with other county councils.

The following Table 3 below shows the anticipated level of earmarked reserves in future years.

Table 3 – Earmarked Reserves

| Purpose & Description of Reserve | Estimated balance as at | | | | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 31 March 2020 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2023 £'000 | 31 March 2024 £'000 |
| Special Purpose Reserves | | | | | |
| Affordable Housing To promote joint schemes with District Council and other partners to improve public services. | 182 | 121 | 60 | | |
| On Street Parking To fund transportation improvements and initiatives | 1,681 | 156 | 156 | 156 | 156 |
| Public Health Ringfenced for Public Health expenditure | 500 | | | | |
| Subtotal: Special Purpose Reserves | 2,363 | 277 | 216 | 156 | 156 |
| Contingency Reserves | | | | | |
| Budget Management To fund future budget pressures | 56,867 | 61,312 | 61,312 | 61,312 | 61,312 |
| Business Rate Risk Management To fund potential future losses on the Devon Business Rates Pool | 12,747 | 12,747 | 12,747 | 12,747 | 12,747 |
| Emergency To manage exceptional unforeseen costs, uncertainties and emergencies | 18,089 | 18,089 | 18,089 | 18,089 | 18,089 |
| Subtotal: Contingency Reserves | 87,703 | 92,148 | 92,148 | 92,148 | 92,148 |
| Service Development and Transformation Reserves | | | | | |
| Business Rates Pilot To fund invest to save initiatives within Children's services | 10,922 | 8,715 | 6,157 | 6,157 | 6,157 |
| Climate Change Emergency To fund management costs of initiatives in response to Climate Change | 189 | 28 | | | |
| Service Transformation To manage costs of remodelling services | 9,185 | 5,789 | 7,789 | 9,789 | 11,789 |
| Subtotal: Development and Transformation | 20,296 | 14,532 | 13,946 | 15,946 | 17,946 |
| Total Earmarked Revenue Reserves | 110,362 | 106,957 | 106,310 | 108,250 | 110,250 |

Approval to use all Reserves is by Cabinet with management and control by the County Treasurer.

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Treasury Management Strategy 2020/21 – 2022/23 and Prudential Indicators 2020/21 - 2024/25

Introduction

In February 2018, following the publication of a revised Code of Practice for Treasury Management by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Council adopted a revised Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). No changes are proposed to these policies for 2020/21.

The policy requires the Council to consider a treasury strategy report, setting out the strategy and plans to be followed in the coming year, as part of the budget process. The strategy for 2020/21 is broadly consistent with that adopted for 2019/20.

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 Treasury Management Strategy should be read in conjunction with the Capital Strategy.

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 2020/21 – 2024/25, and the Capital Strategy.

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.

Treasury Management and Investment Strategy Overview

The Treasury Management and Investment Strategy sets out the MRP policy, capital expenditure funding, prudential indicators, the current treasury position, debt and investments; prospects for interest rates; the borrowing strategy; and the investment strategy.

External Borrowing

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 are limited to those that are

financed from sources other than external borrowing. To meet the need for capital expenditure, the highest priority schemes across the Authority are funded from corporate capital receipts and internal borrowing over the capital programme timescale.

The ability of the Council to repay further debt will depend on the cost of repayment and the availability of cash to fund the repayment. 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. In October 2019 HM Treasury increased the margin over gilt yields for new borrowing by 1%; however, the premature payment rates have been left unchanged. Current interest rate forecasts suggest that it is extremely unlikely that gilt yields will rise sufficiently to cancel out the premiums in the medium term.

Higher Yielding Investments

The 2019/20 Treasury Management Strategy included for the first time the ability for the Council to invest in short-dated bond funds and multi-asset income funds. Short dated bond funds will invest in high quality short dated government or corporate bonds. Multi-asset income funds will invest in a wider range of investments designed to produce an income yield. In both cases, the funds concerned will invest in tradable instruments where the capital value of the investment will fluctuate.

Thus far, this provision has not yet been utilised, as Brexit uncertainty has suggested a more prudent approach, given that higher yielding investments will inevitably mean that there is an increased risk of loss of capital. However, the provision remains in the strategy, and once the Brexit uncertainty is resolved, it may make sense to invest a small proportion of the Council's cash in higher yielding investments.

Before any investment is made in either short-dated bond funds or multi-asset income funds a rigorous process will need to be undertaken to identify which funds would best meet the Council's requirements. Any allocations would only then be made in full consultation with the Cabinet Member for Resources Management.

Pension Fund Contributions

The County Treasurer has also reviewed whether it would make sense to use cash balances to make additional payments or pre-payment of deficit contributions into the Pension Fund. It is proposed to pay £32 millions into the Pension Fund during April 2020, which represents the total deficit contributions set for the Council for the next three years. In return for making an advance payment of three years' deficit contributions the Pension Fund will give a 4.5% discount on the payment required, resulting in a saving of £0.5 million in each of the next three years.

The Pension Fund is able to invest the pre-paid sum and achieve a higher rate of return than the Council would achieve due to its higher risk appetite. This justifies the discount provided. The saving achieved represents a slightly higher return than the Council could achieve by investing more in the CCLA Property Fund or in a multi-asset income fund for arguably less overall risk, although there is a risk that if the Pension Fund does not achieve the required returns there could be an adverse impact on Devon County Council's contribution rates from 2023/24 onwards.

Target Rates

The Bank of England's base rate has remained at 0.75% since November 2018. Therefore, the target return for 2020/21 for deposits with banks and building societies will remain the same as for 2019/20, at 0.75%. In practice, it should be possible to achieve an average rate in excess of the base rate, but a target of 0.75% builds in an element of prudence, given the uncertainties around the impact of Brexit. The target rate for the CCLA Property Fund will remain at 4.50%. Should investments be agreed in the other non-specified investments identified in the strategy then the targeted yield

from those funds would be 2.00% for short dated bond funds and 3.50% for multi-asset income funds.

Minimum Revenue Provision

Minimum Revenue Provision (MRP) is a charge to the authority's revenue account to make provision for the repayment of the authority's external debt and internal borrowing. The authority has a statutory obligation to charge to the revenue account an annual amount of MRP.

The authority's MRP strategy is to charge all elements based on the period of benefit of the capital investment i.e. over the life of the asset.

All supported capital expenditure and unsupported borrowing up to 1st April 2008 will be charged over the life of the assets, calculated using the 'asset life: annuity' method. This approach was adopted by the authority in 2018/19 and delivered significant revenue savings. MRP is calculated by dividing the existing debt over the estimated life of the asset, but reflects the fact that an asset's deterioration is slower in the early years of its life and accelerates towards the latter years. In order to calculate MRP under the annuity method, an appropriate annuity rate needs to be selected. The percentage chosen corresponds with the Bank of England Monetary Policy Committee's inflation target rate of 2.1%. MRP will increase by this percentage each year

Any unsupported (internal) borrowing post 1 April 2008 (including Vehicle and Equipment Loans Pool, Capitalisation Direction and charges to other public sector bodies) will be charged over the life of the asset, on a straight line basis. The annuity method will not be applied to projects financed from internal borrowing, as this source of financing is applied to a wider range of projects with differing lives. Therefore, the 'asset life: equal instalment' method is a more appropriate method of calculating MRP.

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, for example when forward funding S106 contributions.

Capital financing costs are also affected by PFI/PPP contracts and finance leases coming 'on Balance Sheet'. The MRP policy for PFI/PPP contracts will remain unchanged, with MRP being charged over the period of benefit of the capital investment i.e. over the life of the asset.

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

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total Capital programme | 114,493 | 132,249 | 101,096 | 81,685 | 63,940 |
| Funded by: | | | | | |
| Gross borrowing | 8,347 | 11,573 | 3,360 | 9,299 | 1,709 |
| Other capital resources | 106,146 | 120,676 | 97,736 | 72,386 | 62,231 |
| Total capital programme funding | 114,493 | 132,249 | 101,096 | 81,685 | 63,940 |
| Total capital expenditure | 114,493 | 132,249 | 101,096 | 81,685 | 63,940 |

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 2020/21 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|--------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Underlying borrowing requirement | 620,584 | 623,932 | 633,217 | 634,914 | 669,188 |
| Other long-term liabilities | 123,888 | 118,485 | 112,918 | 106,854 | 100,569 |
| Capital financing requirement | 744,472 | 742,417 | 746,135 | 741,768 | 769,757 |

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 2020/21 – 2024/25.

Table 3 – Authorised Limits

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Authorised limits for borrowing | 657,084 | 660,432 | 669,717 | 671,414 | 705,688 |
| Authorised limit for other long-term liabilities | 123,888 | 118,485 | 112,918 | 106,854 | 100,569 |
| Authorised limit for external debt | 780,972 | 778,917 | 782,635 | 778,268 | 806,257 |

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 2020/21 and following years.

Table 4 - Operational Limits

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Operational limits for borrowing | 632,084 | 635,432 | 644,717 | 646,414 | 680,688 |
| Operational limit for other long-term liabilities | 123,888 | 118,485 | 112,918 | 106,854 | 100,569 |
| Operational limit for external debt | 755,972 | 753,917 | 757,635 | 753,268 | 781,257 |

The forecast opening balance for External Borrowing at 1 April 2020 is £507.85 million and remains unchanged at 31 March 2021.

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

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Capital financing requirement | 744,472 | 742,417 | 746,135 | 741,768 | 769,757 |
| Gross borrowing and other long-term liabilities | 636,487 | 631,738 | 626,335 | 620,768 | 614,704 |
| Under/ (over) borrowing | 107,985 | 110,679 | 119,800 | 121,000 | 155,053 |

The debt management strategy and borrowing limits for the period 2020/21 to 2024/25 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 that follows shows the relationship between Capital Financing Costs and the Net Revenue Stream for 2020/21 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

| | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Minimum revenue provision | 12,704 | 12,415 | 12,869 | 13,176 | 13,845 |
| Interest payable | 26,017 | 26,017 | 26,017 | 26,017 | 26,017 |
| Recharges and other adjustments | (322) | (469) | (702) | (945) | (1,260) |
| Interest receivable | (1,550) | (1,550) | (1,550) | (1,550) | (1,550) |
| Capital financing cost (excluding other long-term liabilities) | 36,849 | 36,413 | 36,634 | 36,698 | 37,052 |
| Capital financing costs of other long-term liabilities | 14,901 | 14,636 | 14,689 | 14,428 | 13,262 |
| Capital financing costs including other long-term liabilities | 51,751 | 51,048 | 51,323 | 51,127 | 50,314 |
| Estimated net revenue stream | 530,054 | 559,754 | 571,672 | 589,239 | 589,239 |
| Ratio of financing costs (excluding other long term liabilities) to net revenue stream | 6.95% | 6.51% | 6.41% | 6.23% | 6.29% |
| Ratio of financing costs (including other long-term liabilities) to net revenue stream | 9.76% | 9.12% | 8.98% | 8.68% | 8.54% |

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 2020/21 and beyond are set out in Table 7.

Table 7 – 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 8 shows the County Council's fixed and variable rate debt as at 31 March 2019 and 31 December 2019 (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 8 – Analysis of Long Term Debt

| | Actual 31.03.19 £'m | Interest Rate % | Current 31.12.19 £'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 2019 and as at 3 January 2020 (current).

Table 9 – Schedule of Investments

| | | Actual 31.03.19* | Interest Rate | Current 03.01.20* | Interest Rate |
|--|--------------|---------------------|------------------|----------------------|------------------|
| | Maturing in: | £'m | % | £'m | % |
| Bank, Building Society and MMF Deposits | | | | | |
| Fixed Rates | | | | | |
| Term Deposits | < 365 days | 147.50 | 1.01 | 110.00 | 0.99 |
| | 365 days & > | 10.00 | 1.00 | 20.00 | 1.40 |
| Callable Deposits | | | | | |
| Variable Rate | | | | | |
| Call Accounts | | 0.00 | 0.00 | 0.00 | |
| Notice Accounts | | 12.50 | 1.01 | 40.00 | 1.04 |
| Money Market Funds (MMFs) | | 46.83 | 0.77 | 52.52 | 0.72 |
| Property Fund | | 10.00 | 4.23 | 10.00 | 4.32 |
| All Investments | | 226.83 | 1.10 | 232.52 | 1.12 |

The Council's cash balance available for investment varies during the year, with peaks when Government grants and Council Tax precepts are received, which then taper down as expenditure is incurred. While the figure at 3rd January is higher than at the 31st March 2019, it includes the January Council Tax precept income, and it is now anticipated that the cash balances at 31st March 2020 will be lower than those at the start of the year.

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 figures as at 31 March 2019 and 3 January 2020 include respectively around £11.7m and £6.8m related to the Growing Places Fund (GPF). Devon County Council 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.

The rates on offer during 2019/20 continued to be low in comparison to the past, and the returns on the County Council's cash investments are forecast to remain at 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. Rates from overseas banks will be influenced by their national economic circumstances. The County Council retains an external advisor, Link Asset Services, who forecast future rates several years forward. Similar information is received from a number of other sources.

On 9th October HM Treasury announced an increase in interest rates for borrowing from the Public Works Loan Board (PWLB). Some local authorities have substantially increased their use of the PWLB, as the cost of borrowing has fallen to record lows. HM Treasury was concerned about the level of local authority borrowing and therefore announced that they would restore interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms. However, this has no impact on the rates applicable to the Council's current long term debt, which were set at fixed rates when the loans were taken out.

Link Asset Services are forecasting that the overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. These forecasts are summarised in the following Table 10.

Table 10 – Base Rate Forecasts and PWLB Rates

| | Dec (act) | March | June | Sep | Dec | March | June | Sep | Dec | March |
|----------------------------|------------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|
| | 2019 | 2020 | 2020 | 2020 | 2020 | 2021 | 2021 | 2021 | 2021 | 2022 |
| Base Rate Forecasts | | | | | | | | | | |
| Link Asset Services | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Capital Economics | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | - |

| | Dec (act) | March | June | Sep | Dec | March | June | Sep | Dec | March |
|------------------------------|------------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|
| | 2019 | 2020 | 2020 | 2020 | 2020 | 2021 | 2021 | 2021 | 2021 | 2022 |
| PWLB Rates | | | | | | | | | | |
| Link Asset Services forecast | | | | | | | | | | |
| 10 Year | 2.60% | 2.70% | 2.70% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% |
| 25 Year | 3.20% | 3.30% | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% |
| 50 Year | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% | 3.80% |

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% throughout 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”.

Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate during 2020 as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

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 2020/21 – 2022/23

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. This strategy has worked well in a period of austerity. The Council’s external borrowing level has reduced by £102 millions since 2008/09, resulting in reduced Capital Financing Charges.

The capital programme continues to include new starts funded by grants or capital receipts but with no requirement for 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 (MTFS) 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 ability of the Council to repay further debt will depend on the cost of repayment and the availability of cash to fund the repayment.

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. While HM Treasury has increased the margin over gilt yields for new borrowing, the premature payment rates have been left unchanged. Current interest rate forecasts suggest that it is extremely unlikely that gilt yields will rise sufficiently to cancel out the premiums in the medium term.

It is forecast that as at 31 March 2020 the Council will have cash balances of around £190 millions. 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. However, the level of cash balances would enable early repayments to be considered, should interest rates rise sufficiently to cancel out the premiums.

If short-term borrowing is required to aid cashflow, this will be targeted at an average rate of **0.7%**.

Investment Strategy 2020/21 – 2022/23

The County Council continues to adopt a very prudent approach to its investments. The majority of investments will be "Specified Investments" as defined by the Ministry of Housing, Communities and Local Government (MHCLG). For such investments, 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. The lending policy is kept under constant review with reference to strict criteria for inclusion in the counterparty list. In addition, non-specified investments are included in the strategy, including the potential to invest in property funds, short-dated bond funds and multi-asset income funds.

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.

For 2020/21 the Council is proposing to make a pre-payment of deficit contributions into the Pension Fund. It is proposed to pay £32 millions into the Pension Fund during April 2020, which represents the total deficit contributions set for the Council for the next three years. In return for making an advance payment of three years' deficit contributions the Pension Fund will give a 4.5% discount on the payment required, resulting in a saving of £0.5 million in each of the next three years.

Initially this will reduce the balance available for investment via the Treasury Management Strategy, but represents payments that are due over the next three years, so will not have a long term impact on balances. The saving achieved represents a slightly higher return than the Council could achieve by investing more in the CCLA Property Fund or in a multi-asset income fund for arguably less overall risk, although there is a risk that if the Pension Fund does not achieve the required returns there could be an adverse impact on Devon County Council's contribution rates from 2023/24 onwards.

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 current regulatory

environment puts 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 has therefore changed, and as a result the Council has considered alternative forms of investment in order to diversify its risk.

Under the Markets in Financial Instruments (MiFID II) directive, local authorities are now classed as retail clients by the Financial Conduct Authority (FCA). This has implications for the range of investments that are available to local authorities. While bank and building society deposits are unaffected by the new regulations, some banks have determined that they will only take term deposits from professional clients, and a range of alternative forms of investments are only available to professional clients. However, if the local authority meets criteria set by the FCA, then it can apply to the financial institutions with which it wishes to invest to request that the institution concerned “opts up” the local authority to elective professional client status. The Council has made applications and been opted up to elective professional client status where required.

Those counterparties who have confirmed that they will treat the Council as a professional client under the MiFID II regulations are set out in Table 11 below.

Table 11 – Counterparties that have “opted up” the Council to elective professional client status

| Counterparty | Counterparty Type |
|--------------------------------|-------------------|
| Standard Chartered | UK Bank |
| Commonwealth Bank of Australia | Overseas Bank |
| CCLA | Property Fund |
| Aberdeen Standard | Money Market Fund |
| Insight | Money Market Fund |

In addition, brokers Tradition and Tullett Prebon, and our treasury advisors, Link Asset Services, have opted up the Council to professional client status. The majority of bank and building society deposits are unaffected by the MiFID II regulations.

Subject to the MiFID II regulations, 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 concluded that investment in a range of different funds should be permitted within the Treasury Management Strategy.

The Investment Strategy will be split between “Specified Investments”, which meet criteria specified in guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), and a range of longer term “Non-specified Investments”.

Specified Investments

Specified Investments will be those that meet the criteria in the MHCLG Guidance, i.e. the investment:

- is sterling denominated;
- has a maximum maturity of 1 year;

- meets the “high credit quality” as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council; and
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

Specified Investments will include bank and building society 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. 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. They may be CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value) or VNAV (Variable Net Asset Value). Yields and prices will be monitored on a daily basis to ensure that there is minimal risk of loss of capital.

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 that follows summarises the current ‘Approved List’ criteria.

Table 12 – Specified Investments Counterparty Approved List Criteria

| Counterparty Type | Fitch | Moody's | Standard & Poor's | Credit Limit |
|--------------------------------------|-----------|-----------|-------------------|--------------|
| 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 |

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 (Link Asset Services) who will take into account a range of other metrics in arriving at their advice.

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.

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

The Council will look to invest in specified investments for a range of durations up to one year to ensure sufficient liquidity for cashflow purposes. Our treasury advisors, Link Asset Services, provide advice on the recommended maximum length of deposit for each of the counterparties that the Council uses, and their recommendations will be taken into account when determining the length of time that any deposit is placed for.

Non-Specified Investments

Non-specified investments are those that do not meet the criteria described above, but are intended to be a longer term investment, generating a higher yield, but with a slightly higher degree of risk.

The limit on non-specified investments will be set at no more than 25% of the total treasury investments at any time or £40 millions whichever is the lower.

The Council has previously decided that investment in a commercial property fund would be a prudent way to diversify risk and achieve a higher yield, as it would benefit from forecast growth in GDP. The CCLA Property Fund is therefore included as an approved counterparty, and an initial investment of £10 million was made in 2015.

In addition, short-dated bond funds and multi-asset income funds may be used. Short dated bond funds will invest in high quality short dated government or corporate bonds. Multi-asset income funds will invest in a wider range of investments designed to produce a higher income yield, but will have a higher level of risk. In both cases, funds will be targeted where the total return is likely to be higher than the income yield, to reduce the risk of capital loss should the investment need to be realised.

The Council will only use funds that are subject to a statutory override to IFRS9. Under the IFRS9 accounting standard unrealised gains and losses arising from funds previously measured as Available for Sale will now be classified as Fair Value through Profit and Loss and taken to the Comprehensive Income and Expenditure Account in the year they arise. As a result, any capital loss would impact on the yield gained from the investment.

However, Parliament has put in a statutory override for investments that fall under the following definitions:

- A money market fund;
- A collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000;
- An investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)

The regulation (override) makes it clear that the revenue account should not be charged in respect of that fair value gain or loss and instead that amount should be charged to an account established, charged and used solely for the purpose of recognising fair value gains and losses in accordance with this regulation. The statutory override applies from 1st April 2018 to 31st March 2023. This reduces the risk to the Council of capital losses impacting on investment income, as any capital loss would only impact on the Council at the point that the investment is realised, or after the statutory override ends in March 2023. However, the risk of loss of capital at those points needs to be recognised, and these investments should be seen as longer-term investments.

Non-specified investments can also include bank and building society deposits of over a year, in line with the criteria set out in the section on Specified Investments.

Table 13 that follows summarises the 'Approved List' criteria for non-specified investments.

Table 13 – Non-Specified Investments Counterparty Approved List Criteria

| Counterparty Type | Credit Limit |
|---|---------------------|
| CCLA Property Fund | £30 million |
| Short-dated bond funds | £20 million |
| Multi-asset income funds | £20 million |
| Bank and Building Society Deposits over 1 year (meeting credit rating criteria as per Specified Investments) | £30 million |

Where a bank or building society is considered for an investment of over one year, the credit limit will be applied to the total investments with that institution, including specified and non-specified investments, i.e. deposits above and below one year.

Interest Rate Targets

For the 2020/21 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.75% p.a. The target rate takes into account that the Bank of England's base rate has remained at 0.75% since November 2018. In practice, it should be possible to achieve an average rate in excess of the base rate, but a target of 0.75% builds in an element of prudence, given the uncertainties around the impact of Brexit.

The yield from investment in the CCLA Property Fund is assumed to be 4.50%. Further analysis will be required to identify short-dated bond funds and multi-asset income funds that would meet the Council's requirements. The targeted yield from those funds would be 2.00% for short dated bond funds and 3.50% for multi-asset income funds. Currently these are not factored into the budget for investment income.

The targets we have set for 2020/21 are considered to be achievable.

Given the degree of uncertainty about future economic prospects and the future level of interest rates, MTFs forecasts have been based on the average rates for lending to banks and building societies continuing to be 0.75% for 2021/22 and 2022/23. However, these will be reviewed in the light of changes to the rates on offer from the Council's counterparties over the MTFs period. It may be possible to increase the target rate once the continuing uncertainty around the impact of Brexit has been resolved and the Bank of England is in a position to consider rate rises.

Investments that are not part of treasury management

The revised Treasury Management Code also requires the authority to report on investments in financial assets and property that are not part of treasury management activity, but where those investments are made primarily to achieve a financial return.

The Council does not currently have a policy of making commercial investments outside of its treasury management activity for mainly financial reasons. All capital investments outside of treasury management activities are held explicitly for the purposes of operational services, including regeneration, and are monitored through existing control frameworks.

The Authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd, valued at £247,000 and an equity investment in Exeter Science Park Ltd

of £1.881 million. At 31 March 2019 these shares were recognised in the balance sheet at £2.128 million. However, these are not held as financial investments, but for the purposes of providing operational services, including economic regeneration.

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 these will be used to monitor performance. The Council will continue to review best practice at other authorities and work with its treasury advisors (Link Asset Services) to assess performance.

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Captial Strategy

2020/21 - 2024/2025

DEVON COUNTY COUNCIL — BETTER TOGETHER

About Devon

Devon County Council is one of 26 County Councils in England. We represent a population of around 780,000 and administer an area of 6,564 km², geographically the third largest in England. Devon is a three-tiered local authority area and we work in partnership with eight District Councils and over 300 Town and Parish Councils.

Our services

We provide some of our services directly and commission others from other organisations.

Our main service groups are:

Adult care and health; including services for older people and for people with physical or learning disabilities,

Children's Services; including education and learning, services to vulnerable children and families, safeguarding, looked after children and care leavers,

Communities, Public Health, Environment and Prosperity; including planning, transportation and environment, economy enterprise and skills, trading standards, libraries, community safety and emergency planning,

Corporate Services; including County Treasurer,

Digital Transformation and business support, and

Legal, Human Resources and Communications,

Highways, Infrastructure, Development and Waste.

Doing What Matters for Devon

Our purpose is to create a Devon where everyone can be:



Devon has an outstanding natural environment and a strong sense of community. Employment levels are high, schools are of good quality and crime is low.

However, life is more difficult for some people and communities. Although the physical health of the population is generally good, rates of mental ill health and self-harm are higher than the national average. Recent years have seen increasing financial pressures for many working age families with a rise in poverty and more people seeking emergency supplies of food. Whilst unemployment is low, there also remain significant differences in the number of people in work and the type of work available for those who are older, have a disability or have care responsibilities.

DEVON COUNTY COUNCIL – CAPITAL STRATEGY

Shaping Devon

The Capital Strategy ensures that the Authority takes capital expenditure decisions in line with strategic and service objectives, and properly considers the operational and service needs of the Authority and Doing What Matters for Devon.

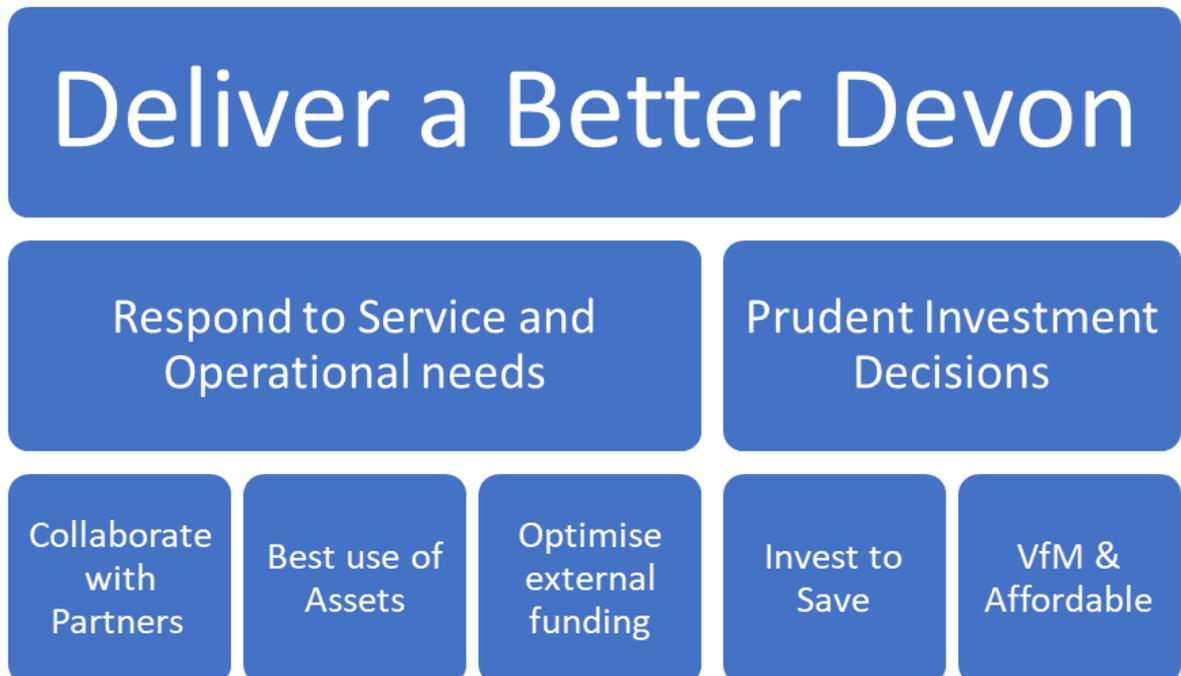
We believe that our purpose is to help people in Devon to live their lives well, in a way that makes sense to them. It is the core that unifies all officers, leaders and elected members across the council, and gives us a common purpose with our partners across the public and voluntary sectors. It is the driver for everything that we do and every decision that we make.

This is balanced with the need to produce prudent, sustainable and affordable levels of investment in the Authority's assets, thereby supporting each of the service areas deliver their objectives. This is what the 2020/21 Capital Strategy aims to support.

Key Principles

The Capital Strategy focuses on key principles, which underpin the short to medium term Capital Programme, as well as supporting the Authority's longer term strategic and operational objectives. Through investment in its strategic assets, the Capital Strategy aims to make the best use of those assets and support the delivery of service ambition.

Key Principles of the Capital Strategy:



DEVON COUNTY COUNCIL — SERVICE & OPERATIONAL NEEDS

Adult Care & Health

Devon County Council and the NHS work together to improve the health of people in Devon and make sure everyone across the county has equal access to healthcare services.

We aim to:

- promote health equality across Devon
- support people to make healthy life choices
- provide good quality and accessible healthcare
- prevent problems through programmes like childhood immunisation



Adult Care Operations and Health (ACH) is the operational social care service which offers advice, information and signposting as well as assessment, support planning and reviews older people and working aged adults with learning disability, autism, physical disabilities with eligible social care needs.

The Vision is to enable people to lead healthy lives in Devon's outstanding environment, support people to live in their own home as part of a supportive community and focus on reducing inequalities in health.

The capital strategy for ACH aims to support the service in reaching its ambitions by acting as Accountable Body in relation to the Disabled Facilities Grant; a grant passported to district authorities. Monies are then awarded to help towards the costs of making changes to an individual's home, so that they can continue to live there.

<https://www.devon.gov.uk/care-and-health/adults>

DEVON COUNTY COUNCIL — SERVICE & OPERATIONAL NEEDS

Children's Services (including Education)

This service brings together the statutory duties of the Council in relation to Education, children in need, child protection and looked after children. It includes a range of services targets to support families and thus help to avoid the need for children to come into care.



Devon schools have consistently delivered good outcomes of a relatively low spend per pupil. Attainment, progress and school quality have generally been above national averages. Providing support for disabled pupils and for those with special educational needs continues to be a key objective, and a significant challenge as funds have not been enough to keep pace with the increasing range and complexity of need.



The Capital Strategy aims to respond to these challenges by investing corporate and external funding to expand Special School provision in Devon by adding up to 300 new places for children and young people (CYP) with special educational needs and disability (SEND).

The Council also runs a loan facility to schools for equipment which may otherwise have to be leased at additional cost to the school, offering a value for money solution for vital ICT and other equipment.

Capital grants are available to support adaptations to foster carers homes where required, and significant investment continues to be programmed, to maintain existing school assets and to respond to the need for additional classroom places by expanding schools, as Devon families grow.

<https://www.devon.gov.uk/educationandfamilies>

DEVON COUNTY COUNCIL – SERVICE & OPERATIONAL NEEDS

Communities, Public Health, Environment and Prosperity (CoPHEP)

The Communities portfolio links commissioning services and support to help people and organisations in communities to be better connected, resilient and safe. The team commission library and information services, a Devon-wide youth service, community safety work, as well as activities promoting cultural and heritage, physical activity and sports.

Economy Enterprise and Skills form the Prosperity part of CoPHEP, and supports the delivery of economic growth, prosperity and protection for Devon's residents and business.

Within Environment we have the Planning, Transportation and Environment service which includes strategic infrastructure and the statutory response for the development of Education and Transport Plans and Waste and Mineral plans.

Finally, we have the Public Health team which is predominately funded by the Department of Health.

- Community and Living
- Economy and Enterprise
- Environment and Landscape
- Healthy and Active
- Libraries and Heritage
- Planning and Development

The Capital Strategy supports this wide reaching directorate in a number of ways with Large Schemes and Major Highways Schemes being a significant area of statutory responsibility, and subsequently a high level of capital investment. There is a significant level of external funding from government bodies for example the Local Transport Plan and also via the Local Enterprise Partnership (LEP).

Capital investment in this service area aims to support Devon's economy by expanding Superfast Broadband, and in the development of Business Parks such as Roundswell, Okehampton, investment in Exeter Science Park and Skypark.

Flood prevention works aim to protect homes and business, and other significant investment has been made in sustainable transport.

<https://www.devon.gov.uk/navigation/community-and-living>

DEVON COUNTY COUNCIL – SERVICE & OPERATIONAL NEEDS

Corporate Services

Corporate Services holds responsibility for the Authority's Corporate Estate including County Farm assets. It also holds the portfolios of Treasurers Services, HR, Communications and Legal along with Digital Transformation and Business Support (ICT).

The Authority's Estates Strategy focuses on rationalisation, cost reduction, releasing capital receipts, lowering carbon emissions and creating connected, flexible workspaces. It will achieve this by:

- identifying properties, land and buildings that are no longer required
- identifying the potential for co-location of services
- identifying opportunities for better use of assets across the public sector



- improving the energy efficiency of assets.

The result is a smaller, more efficient estate of better performing buildings, leading to a reduction in running costs and a more 'fit for purpose' property portfolio.

The Council has committed to investing in its operational assets by including annual capital funding for the enhancement of its existing property estate. This includes works to bring County Farms up to the Decent Homes standard, and the continued upgrade and development of ICT for operational use. The Council recognises that by investing in its assets it is ensuring their sustainability for the future, providing future economic benefit whilst also seeking to minimise longer term revenue repair and maintenance costs.



Digitisation

Digital technology is increasingly important in all our lives and is transforming the way we all work,

communicate and do business. We want to be an innovative and creative council at the forefront of technological development so that we can help make life easier and more convenient for everyone we come into contact with.

Our investment in our new Digital Platform allows our Digital Service team to create new services on that platform that meet the identified needs of Devon citizens, the County Council workforce and their partners. These services are created iteratively and therefore provide benefit quickly and can be reused as building blocks for new services as the needs are identified. This will enable citizens to transact with the Council on line and enable citizens and partners to communicate and access information through a variety of digital solutions.

DEVON COUNTY COUNCIL — SERVICE & OPERATIONAL NEEDS

Highways, Infrastructure Development & Waste



The purpose of the Highways and Traffic Management service is to maintain, improve and operate the existing local highway and public rights of way networks. The service prioritises safety and meeting the travel needs of business, communities and individuals.

Public Rights of Way

The Infrastructure Development team principally delivers the County Council's Capital works programme and has also provides technical engineering consultancy services. The Waste Management service is response for the disposal of local authority collected waste.

For Highway Maintenance the Capital works are defined as major structural renewal to the asset either to the road pavement, drainage or the structures. This is funded by the Department for Transport (DfT) through the Local Transport Plan allocation. There is the occasional need to fund additional works from the County Council Capital budget, but these are exceptional conditions such as a major Bridge failure.

Other major capital investment by the Council includes the Street Lighting upgrade to LED which is an invest to save initiative.

Flood Risk

The delivery of capital flood improvement schemes is prioritised in accordance with the criteria set out in the Local Flood Risk Management Strategy for Devon. These can be proactive measures based on detailed assessment and modelling of high-risk areas or reactive intervention following major flooding that has occurred. Projects vary from small capital works funded solely from internal budgets, generally where there are low numbers of properties benefitting, to larger scale works requiring external funding from other government funding streams or partnership contributions.

Waste

Devon County Council is responsible for the safe disposal of all municipal household waste generated in the eight districts of Devon. We are dedicated to reducing, reusing, recycling, composting and as a last option, recovering energy wherever possible utilising nineteen recycling centres across the County.

<https://www.devon.gov.uk/navigation/roads-and-transport/>

<https://www.devon.gov.uk/wasteandrecycling/>

DEVON COUNTY COUNCIL – PRUDENT INVESTMENT DECISIONS

Where external funding is not available the authority will utilise alternative sources of capital financing, as follows:

Internal Borrowing

A prudent level of cash balances is required for the authority to meet its obligations in respect of cashflow. Where cashflow allows, the authority has utilised cash balances and internal borrowing (borrowing from internal cash resources) to fund the capital programme. The affordability of this internal borrowing mechanism will be monitored by the County Treasurer.

If the authority borrows internally or externally it is required to make a provision for the repayment of that debt. This is a statutory obligation and is referred to as the Minimum Revenue Provision (MRP).

This strategy suggests a prudent level of around £10 millions of internal borrowing per annum, where cashflow allows.

External Borrowing

The authority has a policy of not undertaking any new external borrowing, as set out in the Treasury Management Strategy 2020-21, with the authority not undertaking any new external borrowing since January 2008. This policy is reviewed regularly to ensure it is still fit for purpose and can continue to meet the capital financing requirements of the authority's services.

Using capital receipts and internal borrowing as a capital funding source will ensure the authority is able to contain its level of debt and therefore its overall level of borrowing.

Capital receipts

Capital receipts must be accounted for separately from revenue income and may only be used to finance capital expenditure.

The procedures for declaring properties surplus to requirements are set out in the Council's Code of Practice for the Disposal of Surplus Property. The Head of Digital Transformation & Business Support is responsible for the negotiations of all such sales. The County Treasurer is consulted on the sale of assets at less than full market value.

Monitoring is undertaken so that forecast receipts are sufficient to finance the existing capital programme commitments, and also to ensure that the existing capital programme does not rely too heavily on this finite source of funding.

DEVON COUNTY COUNCIL — GOVERNANCE & RISK

The Capital Programme sets out the planned capital investment of the authority and is approved by Cabinet and Council annually.

The Cabinet is responsible for approving the annual Capital Outturn and for agreeing procedures for carrying forward any under or over-spend on capital projects as well as approving the MTCP annually, and monitoring capital expenditure against approved budgets, on a bi-monthly basis.

The County Treasurer has responsibility for the proper administration of the Council's financial affairs. This includes monitoring actual capital spend against budget which is undertaken on a bi-monthly basis with any risks to delivery or financing reported to Cabinet.

Any subsequent additions or changes to the capital programme will be approved in accordance with the Constitution (Part 5c Financial Regulations) throughout the year. The Financial Regulations set out in section B12.5 state that the amount of capital expenditure to be financed by external borrowing must be approved by Council.

Before items are included in the Capital Programme a detailed business case must be submitted to the Capital Programme Group (CPG). These are assessed to ensure alignment with strategic objectives set by the Council, deliverability within existing resources, risk and value for money. Option appraisal techniques, such as Net Present Value (NPV) will be used as a way of appraising investment options.

The CPG does not have decision making powers. It makes recommendations to the Cabinet Member for Resources Management, Cabinet Member for Policy, Corporate and Asset Management and the County Treasurer for inclusion in relevant Council and Committee reports.



DEVON COUNTY COUNCIL – COUNTY WIDE & FUTURE YEARS

The shape of the capital programme in the longer term will be dependent upon the continued delivery of capital receipts, the future allocation of capital grants from Central Government departments, and the availability of internal cash resources.

The Medium Term Financial Strategy (MTFS) continues to assume that, over the three-year period, no new long-term external borrowing will be required. This has been assessed as sustainable in the short to medium term but will be kept under review.

The Capital Strategy ensures that the authority takes capital expenditure decisions in line with strategic and service objectives and properly considers the operational and service needs of the Council. This has been balanced with the need to produce a prudent, sustainable and affordable level of investment in the Councils assets, which the 2020/21 to 2024/25 Capital Programme aims to deliver.

Given the continued uncertainty around the impact of BREXIT and the uncertain future economic climate, it is difficult for the Council to provide clarity around what are a complex and diverse range of potential outcomes. Focus is therefore on ensuring the authority has flexibility and is ready to adapt its operations as needs arise. The Capital Strategy aims to support this through the prudent practices set out in this document, supported by the best use of assets and the maximisation of external funding.

CLIMATE CHANGE

A range of public, private and voluntary organisations from across Devon came together on 22nd May 2019, to declare a climate emergency and to endorse the principles of the Devon Climate Declaration.

This recognises that we are aware of the significant implications of climate change for Devon's communities and proposes action to rapidly reduce our carbon dioxide emissions.

In 2020/21 the Council introduced a Climate Change Capital budget specifically to support capital climate change initiatives, or to use as match funding so that external funding in this area can be maximised. Each Cabinet paper, for the introduction of a new capital project in year, also has to set out its environmental impact including its response to, or in respect of, Climate Change.



SUMMARY

The Capital Strategy ensures that the authority takes capital expenditure decisions in line with strategic and service objectives and properly considers the operational and service needs of the Council. This has been balanced with the need to produce a prudent, sustainable and affordable level of investment in the Councils assets, which the 2020/21 to 2024/25 Capital Programme aims to deliver.

Risk Analysis of Volatile Budgets

Background

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 2020/21 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action include:-

- Adult Care and Health, Children's Services, Public Health and Highways Infrastructure Development and Waste, 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 Assessment

Adult Care and Health

| Service | Budget 2020/21 £'000 | Risk and Impact | Mitigation |
|--|----------------------------|---|--|
| Demand for packages of care (across all service types) | 199,314 | <p>Demand for the number and intensity of packages of care can be volatile in a number of areas. Learning Disability services (including autism) have seen significant growth in activity over recent years and continues to be under pressure going forward, particularly as children in care transition to adulthood.</p> <p>Devon also has an above average elderly population when compared nationally, which is forecasted to continue increasing.</p> <p>If our assumptions of demand are not correct the financial risk will vary with average packages ranging from £10,000 per year for personal care to £51,000 per working age residential placement. The most expensive package is currently £245,000 per year.</p> | <p>The 2020/21 budget has been planned on the basis of the most recent volume data available at the time of preparation, with estimates made for anticipated growth in demand for services next year, and the effects of planned savings strategies.</p> <p>A core principle is to promote independence of individuals where ever possible by supporting people to live well in their own homes and to prevent reliance on ongoing care wherever possible by earlier intervention and reablement, including reassessing the proportion of care spent on short term recovery services to target resources most effectively.</p> |
| Unit cost pressure (across all service types) | 199,314 | <p>There are price pressures on all commissioned services arising from inflationary factors (increased National Living Wage for example) and labour supply issues. Parts of Devon are at full employment and the care sector is competing for labour with other industry sectors.</p> <p>An average £10 per week change in residential placement costs (current average weekly rate paid is £703) will increase costs by circa £1.4 millions and a £1 per hour increase in personal care rates (current average rate paid is £18.64) will cost £1.8 millions.</p> | <p>The budget is based on actual unit costs as at the time of budget preparation, and is inflated for forecast prices changes.</p> <p>Detailed unit costs are monitored on a monthly basis by managers. There is an escalation process in place for approval of high cost packages.</p> <p>Lobbying of central government to provide for sustainable funding for social care in the long awaited Green Paper.</p> |
| Market sufficiency | 199,314 | <p>The Council has a statutory duty under section 5 of the Care Act 2014 to ensure the sufficiency of social care markets in Devon.</p> <p>The sufficiency of locally available good quality care at an affordable price is a risk in a number of areas of the county. This is linked to risks in the labour market attributable to Devon's relatively high employment, low pay economy.</p> <p>As a result, Personal Care commissioned volumes are contained. This has a current favourable financial effect, but an adverse effect in care home placement budgets and potentially NHS system budgets. If sufficiency could be restored, there is</p> | <p>Commissioners monitor the market to identify areas of poor sufficiency so that operational plans can be prepared including interventions if necessary.</p> <p>Focussed work with providers facing most difficulties to improve their approach, learning from the best practice of others.</p> <p>Use of iBCF funding to incentivise care worker recruitment and retention, with a focus on the areas where provision is most challenged.</p> |

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| | | an estimated financial risk to social care budgets in the region of £2 million annually. | |
| Legislative change | 260,258 | <p>The new government has indicated reforming of social care and a national disabilities strategy, along with prioritisation of the NHS.</p> <p>Legislative changes may very well come with financial implications for social care budgets and it is important that should this transpire, changes are fully funded by government as new burdens.</p> <p>New Liberty Protection Safeguards, will replace existing Deprivation of Liberty Safeguards in Spring 2020. This new legislation may well broaden the scope and responsibility of the Council in its duties as 'responsible body' for deprivations of liberty in a social care setting.</p> | <p>Monitoring of the new government's legislative programme and working with our partners in national bodies such as the LGA and the Association of Directors of Adult Social Services in order to lobby government and ensure effective consultation.</p> <p>Sector guidance will be carefully reviewed and we will work with our partners across the health and social care system to understand and implement reforms safely and effectively.</p> |
| Social care workforce | 40,968 | <p>This affects both the internal DCC social care workforce, and the far larger care workforce employed by our commissioned providers in Devon.</p> <p>Internally, recruitment to roles which require professional qualifications is challenging. This is common across health and care professions both nationally and in the south west (for social work, OT, AMHP and team manager roles). In some instances, pay and conditions in DCC do not compare well with competitors.</p> <p>Investment in workforce capacity and skill-mix is insufficient to meet the (changing) nature and intensity of demand. Most particularly complex work in areas of autism, disability, Mental Capacity, DoLS, dementia and transition. There is a significant risk that failure to plan ahead for substantive capacity will de-stabilise delivery of functions.</p> <p>Externally, commissioned providers face recruitment and retention challenges in respect of care workers. There is a specific challenge in the recruitment of nurses affecting the nursing home sector.</p> <p>External workforce issues risk impacting on unit costs and market sufficiency as supply and costs are interlinked.</p> <p>The risk of a Brexit 'no deal' at the end of December 2020 is a major risk to both areas of the workforce as the uncertainty could deter job applications from EU nationals. Additionally, there is a related risk that a new immigration system operating on a points basis, does not prioritise lower paid social care roles.</p> | <p>Success in recent years has relied upon direct support for qualifications, and recruiting and supporting newly qualified professional staff. This requires forward planning, sustained investment and action to meet requirements at least three years ahead.</p> <p>Workforce growth in recent years has been driven by short-term investment and targeted (invest to save) initiatives.</p> <p>The Council has led the 'Proud to Care' campaign now working regionally to promote health and care as a positive career and develop career pathways across the sector.</p> <p>However risks have increased since 12 months ago, exacerbated by a loss in attractiveness of working in the UK due to depreciation in the value of Sterling and ongoing concerns over the Brexit process.</p> <p>Ongoing monitoring of government's legislative programme, along with raising issues nationally via the LGA, ADASS and other networks.</p> |

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| Children transitioning to Adults | 103,400 | On average, around 180 young people tend to come of age each year and require ongoing support as adults. Required levels of support vary enormously. This makes financial planning difficult. Furthermore, in recent years there has been a trend of increasing volumes of very high cost children's care packages and therefore there is a risk that demand and cost from transitions into adult services outstrips the budget available. | A dedicated multi-disciplinary team has been created to work across Children and Adults services in order to improve information sharing and to work towards transitions planning at an early stage. |
| Autism demand | 4,976 | Autism diagnosis rates and demand for care services has increased sharply in recent years and there is a risk that these trends continue. | A new autism team was set up last year, specialising in planning and assigning the most appropriate packages of care to people who need them, and ensuring that the impacts of new cases are phased in a controlled manner over the course of the year. |
| Sleep in nights National Living Wage | 46,539 | The Court of Appeal ruled in 2018 that National Living Wage did not apply. The case is now due to be heard in the Supreme Court in early 2020 with judgment expected later in the year, which could reverse the Court of Appeal's judgment and trigger back pay claims against providers, threatening market stability. Adverse impacts in the provider market could add cost to commissioning budgets in the region of up to £1million. | Historic purchasing of sleep in based services has been analysed and risk exposure estimated. Commissioners liaise closely with providers to find ways to manage risk and provider failure. Lobbying of government that retrospective pay awards are funded. |
| Savings Strategies | 5,058 | Delivering savings continues to be challenging and has a variety of risks associated with delivery. The savings this year are primarily strategies to support people with disabilities, and people with Mental Health needs to live more independently, over time moving from institutional based settings to being supported to live their lives as independently as possible in a community. | Savings plans have been developed as projects, with lead officers and supporting multi-disciplinary teams. A robust monitoring framework will be in place to track progress. |
| Provision of specialist dementia care | | Specialist dementia care provision in the independent sector is under developed, posing a challenge to commissioners to develop a specialism of a market which is already under pressure overall. | Commissioners will work closely with key providers to shape the market, where possible, to accord to longer term commissioning strategies, and the requirements for future care. |
| Joint funding of complex care | | A tighter application of eligibility for NHS Continuing Health Care can lead to demand for social care rising. This risks an increase in the number of complex packages which generally have a high individual unit cost. | Joint frameworks and relationships with CCG are well developed, including escalation and challenge where appropriate. Pooling of resources and risk are considered collectively with the NHS commissioners. |
| Mental Health and Disability repatriations | 116,008 | The Transforming Care Partnerships programme could result in individuals who are currently in NHS funded placements in hospitals around the country, being transferred back to a Devon care setting where there may | Commissioners work with partners to identify and monitor repatriation of cases to ensure that the most appropriate and best value placements are secured in Devon, |

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| | | <p>be a requirement for adult social care support.</p> <p>There is a risk that placements made back into Devon will be at a higher cost, or a greater responsibility for funding will fall to social care budgets, or both.</p> | <p>prioritising the most vulnerable cases first.</p> <p>Adult social care managers are engaged in the Transforming Care Partnership with CCGs and work together to forecast future service demands, and manage repatriations of cases in a sensitive and planned way.</p> |
| NHS Contributions to Social Care (including Better Care Fund) | Total BCF pooled budget is currently expected to be in the region of £97 millions | <p>The Council entered a pooled budget arrangement in 2015/16 with NHS Commissioners described nationally as the Better Care Fund (BCF). This pooled arrangement now includes £35.138 millions of direct support to DCC social care budgets.</p> <p>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.</p> <p>All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services.</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.</p> |

Children's Services

| Service | Budget 2020/21 £'000 | Risk and Impact | Mitigation |
|---------------------------------------|----------------------|---|---|
| Looked after children placements | 45,637 (net) | <p>Continuing lack of sufficiency of appropriate placements for children and young people with high levels of complex need (including mental ill-health) remains challenging, which in turn drives up costs.</p> <p>It is unlikely that these issues will be resolved in the short term the result of which is the potential for more children in very high cost placements at distance from home.</p> | <p>The budget has been set recognising the current pressures on sufficiency and costs; it assumes active management and cost control.</p> <p>Targeted commissioning and market management. Improved social work practice leading to more assessments completed in the community and early interventions.</p> <p>Introduce measures to reduce the number of adolescents entering care and reduce the length of time adolescents spend in care.</p> |
| Social work staff | 13,839 (net) | <p>The recruitment and retention of experienced social workers remains difficult leading to high levels of agency staffing. Compounding this is an increasing inability to attract and recruit good agency social workers leading to high caseloads and significant under staffing in some areas.</p> | <p>Plans are underway to develop a workforce strategy that includes career progression pathways. The expectation is that with the opportunity for career progression more agency staff will be persuaded to become permanent staff.</p> |
| Public Health Nursing | 11,585 (gross) | <p>Following the in-sourcing of the Public Health Service in April 2019 the Service is undergoing a full review.</p> <p>High levels of vacancies and a shortage of trained Health Visitors and School Nurses nationally leading to high case-loads and detrimental impact on service delivery.</p> <p>The service review covers Accommodation, IT (including Clinical Systems) and business support. The financial effects of the eventual recommendations are not yet quantified</p> | <p>The Public Health Nursing Service Review Project Board maintain a clear line of sight on costs of options appraisals and put in place actions to manage within the existing funding envelope.</p> <p>A concerted recruitment drive is underway to increase front line capacity, critical to the delivery of an effective service.</p> |
| Special Guardianship Order Allowances | 3,278 (net) | <p>The number of Special Guardianship Orders continues to increase at a steady rate. Growing pressure from the Courts regarding parity with foster carer allowances may lead to a full review of allowances.</p> | <p>Identify resource to undertake a thorough review of existing cases to contain the operational and financial impact.</p> |

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| Education and Learning – General Fund | 45,385 (net) | <p>Devon's schools continue to academise, particularly secondary.</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.</p> <p>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 where possible.</p> |
| School/College Transport | 28,805 (net) | <p>The number of pupils requiring home to school transport is increasing with limited operators causing costs to rise. 7% Growth on SEN Transport currently with above inflation price increases</p> | <p>In this area it is now difficult as there is a market breakdown as costs are increasing due to a shortage of taxi/bus operators willing to run routes as they are not viable or ceasing to trade. This means we have to place more contracts further away from the routes they serve with the impact of increased costs.</p> <p>Number of children with EHCPs continues to rise. We continue work to manage demand for special educational needs (as below for High Needs DSG spending) but whilst slowing the increase this will not reduce numbers. Increase access to Independent Travel Training</p> |
| Education and Learning – Schools Funding | 603,320 (gross) | <p>Funding deficit from 2019/20 of £21.5m and the projected funding shortfall in 2020/21 of £23.8m sees an overall pressure of £45.3m that needs to be met from the DSG.</p> <p>This will impact on the schools funding available to meet demand to support the education of children within the authority.</p> | <p>Requirement of a Recovery Plan to deal with the DSG deficit.</p> <p>Service to review processes and services engaging with school representatives to set an agreed direction to reduce pressures on the service.</p> <p>Increasing the Special School capacity in Devon through corporate capital investment and opening a new school through the DfE Free School Programme.</p> |
| Education and Learning – Schools budgets | 603,320 (gross) | <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.</p> <p>This risk is further exacerbated by the impact of the national funding formula and changes to employee costs adding</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.</p> |

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| | | to pressure on school budgets. This could lead to schools prioritising spend which may in turn impact on traded services and de-delegation decisions | Continue to develop partnership working to maximise effect of collaborative approaches between statutory and purchased service delivery. |
| Central Schools Services Block | 7,012 (net) | DfE propose to reduce the Historic commitment funding by 20% from 2020/21 irrespective of the need by the LA for this funding. | The LA have submitted a disapplication to the DfE to overturn the decision as the funding in question is linked to the Termination of Employment and these costs remain a burden on the LA for the foreseeable future. |
| High Needs budgets | 101,376 (net) | Continued growth of EHC plans with no facility to reduce external demand. | Identify the growing needs and provide central support to enable schools to hold onto those pupils that would normally pass into the special school system offset by reduced funding support to the school here possible. Build capacity to meet the designations and possibly build above demand to reduce or net export costs. |
| High Needs budgets | 101,376 (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. Risk of more exclusions and increase in harder to admit children. | 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. Undertake service reviews including that of students currently in 3rd-5th years of post-16 education and block contracts in Independent Special Schools. |

Communities, Public Health, Environment and Prosperity

| Service | Budget 2020/21 £'000 | Risk and Impact | Mitigation |
|--|-------------------------------------|---|--|
| Public & Community Transport | 6,778 (budget and other funding) | <p>Around 80% of passenger journeys are on commercial bus services with no DCC control over them. The remainder are on supported (contracted) bus services. The commercial sector therefore shapes the network, and DCC responds to fill in gaps, optimising the scope for an integrated network. Recent experience has shown that the sector is increasingly commercially fragile which increases the cost risk to the provision of supported services.</p> <p>DCC also supports the voluntary and community transport sector where conventional buses are not sustainable. Changes to legislation pose a threat to the sustainability of this provision.</p> <p>Any reductions to service will have an impact on Devon communities as 19% of Devon residents have no access to a car.</p> | <p>Budget is based on actual services each year. Service support is based upon criteria related to DCC strategic objectives.</p> <p>Wherever possible Commercial Operators are encouraged to take up services.</p> <p>DCC supported services are developed to achieve commercial viability where possible.</p> <p>DCC maintains close relationships with this sector. Once the final legislative changes are known an impact assessment and mitigation strategies will be developed.</p> |
| National Concessionary Travel Scheme | 9,463 | Under statutory provision commercial bus operators are reimbursed for the use of free travel passes by more than 145,419 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. The scheme and rate of reimbursement to operators is subject to ongoing review within statutory guidelines. |
| Flood Risk Management – Surface water | 817 (excludes capital prog.) | 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 this budget might need to be identified. |
| School Place Planning (capital funding/home to school transport revenue) | | There has been a significant reduction in Government capital grant to support additional pupil places and the general condition of school buildings. Furthermore, the introduction of Community Infrastructure Levy in three Local Planning Authorities has created further uncertainty on securing development contributions towards education infrastructure. Failure to provide appropriate schools places locally will have knock on implications for the Home to School Transport budget | Devon to contact Local Planning Authorities to request education be treated as Section 106 item following the Government review of CIL. Bids for CIL funds to be submitted including Exmouth Community College from East Devon, SWE Exeter from Exeter/Teignbridge and Dawlish Primary from Teignbridge. Ensure approved Free Schools are delivered, realising central Government investment. Seek direction from schools not utilising full capacity or refusing legal admissions |

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| | | <p>The number of learners who require an Education, Care and Health Plan continues to rise with a proportion of these learners requiring a specialist placement with limited capital grant from National Government. Failure to provide appropriate schools places locally will have knock on implications for the Home to School Transport budget and the High Needs Block within the Dedicated Schools Grant</p> <p>A number of schools have been identified at risk of flooding including Tipton St John.</p> | <p>Delivery of additional SEN Places at Charlton Lodge for September 2019. Ensure that Department for Education deliver Glendinning House in Newton Abbot by September 2020. Evidence based assessment of investment of limited SEN capital funding to increase local capacity in particular in Maintained Special Schools</p> <p>Detailed assessment of schools impacted to be undertaken to ensure safety of school users and/or priorities for mitigation are identified.</p> |
| Public Health - Sexual Health | 6,854 | Demand-led service so actual numbers could vary significantly. | Due to grant reduction, activity will be capped and a financial recovery plan put in place. |
| Public health - Health checks | 459 | There is a risk to the PH budget if significantly more health checks are offered and taken up than forecast. | Engagement with the LMC and monitoring of activity at individual practice level. |
| Public Health Nursing | 10,170 | The resource available from Public Health England is insufficient to deliver national targets | The provider to use the available resource to achieve maximum Value for Money. |
| Exeter Science Park (loan guarantee) | Max 2,652 | The Science Park Innovation Centre Construction was built by Exeter Science Park Limited (ESPL). This was partially funded via a loan from the Local Enterprise Partnership. 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 £1.831m. This figure is based on the current shortfall shown in the ESPL business plan. | 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. |
| Budget Reductions (incl. Policy Changes) | 150 | Reductions are becoming harder to achieve. Some reductions are reliant on collaboration and co-operation from partners which cannot be fully guaranteed or controlled by DCC and others on supply and demand for services. In order to achieve budget reductions, policies are continually being reviewed using a more risk based approach. This may lead to an increase in the risk of challenge or failure. | The priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2020/21 with particular emphasis on high risk or new strategies. Continuous efforts to influence and negotiate with partners will be maintained. |

Corporate Services

| Service | Budget 2020/21 £000 | Risk and Impact | Mitigation |
|---|---------------------------|--|--|
| All Corporate Services | 36,850 (net) | Where DCC insource or take on additional services and staff to the Authority, this will require significant back office support including Business Support, ICT, Procurement and Estates. Along with responsibility for linked assets such as buildings which also transfer this combines to put pressure on all budget lines. | Work closely with front-line service heads to ensure Corporate Services develop and evolve to meet the changing needs of the Authority, capturing cost and resource requirements, and identifying funding. |
| ICT | 9,914 (net) | As the County Council becomes more digitally enabled, there is a risk that the digital skills of our staff are not at a sufficient level in utilising digital technologies and understanding the risks of cyber security | Work closely with HR in ensuring Digital is a key aspect of workforce planning and build on the growing and developing work of "Digital Lives" |
| Business Services and Support | 5,277 (net) | Ongoing increasing demands for business support for Children & Adults at risk, place increasing pressure on the service. | Work closely with service heads to identify where efficiencies can be made and assess resource requirements. |
| Digital Transformation and Business Support | 16,473 (net) | Recruitment of professional staff such as procurement, ICT, Property and Digital Transformation is challenging given competition from both private and public sector employers | Work with HR in developing effective recruitment and retention strategies to ensure a suitably skilled and qualified workforce. |
| Coroners Service | 1,539 (net) | There is a risk of unavoidable additional costs in medical (pathology), analysts, funeral directors and mortuary facility fees. | Continue to work closely with colleagues across the region conducting ongoing reviews of commissioning processes and joint working arrangements with a view to curtailing expenditure and producing additional efficiencies in this respect. |
| Human Resources | 2,388 (net) | Implementation of phase 2 of the new HRMS places continuing pressure on the capacity of the HR service available to carry out business as usual and support the front-line services. Delays in the project timetable will make achievement of savings plans very challenging. | Work closely with service heads across the authority to ensure long term planning results in the most effective use of available resources. |
| Legal Services | 1,106 (net) | Demands for legal support to Children's and Adults Services place increasing pressure on the service | Engagement with service heads to monitor the activity drivers |

Highway, Infrastructure Development and Waste

| Service | Budget 2020/21 £'000 | Risk and Impact | Mitigation |
|--|----------------------|--|--|
| Winter Maintenance and Emergencies | Approx. 3,885 | Winter maintenance and other emergencies which are typically weather related, cannot be predicted. There is a risk of overspend in the event of severe weather conditions. Proportions of this budget are based on a mild to average winter. Therefore, a worse than average year will place additional pressure on this budget. | There is limited scope for management action as the bulk of the costs tend to fall in the latter part of the financial year thus precluding funding by deferral of planned maintenance work. DCC policy is to respond appropriately to such events and wherever possible divert resources from other works in order to mitigate some of the costs. Scenario modelling is undertaken to assess any potential overspend. |
| Safety Defect Repairs | Approx. 5,800 | This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. The above average wet start to the 2019 winter will likely increase expenditure in this area. Over the last 6-7 years significant extra resources from both central government and DCC have been targeted towards this area. However, the level of investment is still well below the backlog. | New ways of providing this service were successfully trialled in 2018/19 and rolled out across the County during 2019/20. Works are closely monitored during the year and funds diverted from planned works where possible to mitigate increases in expenditure as far as possible. |
| Ash Dieback Disease – impact on Highways | 350 | 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 Dieback is infiltrating into Devon’s tree population quicker than had been expected. It is anticipated that the service area will need to move to annual inspections prior to the start of 2020. It is estimated that 440,000 ash trees are within falling distance of the highway, most of which are the responsibility of other land owners. | The rate of the spread of disease will be monitored, inspection periods altered accordingly and closely monitored, which should ensure that all trees not owned by DCC are dealt with by the land owner. |
| Highways Services Income from Fees and Charges | 1,596 | The Authority is legally entitled to levy charges for a variety of Highways services. These services are completely demand led and are therefore susceptible to variations in economic factors. A variation in demand of +/- 10% could result in a budgetary impact of £150,000. | There is limited scope for direct management action to significantly influence the demand for Highways services. However, income levels are monitored during the year and, where possible, mitigating actions are taken in other areas of the budget. |
| Waste Management | 28,900 | 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, such as the wider economic climate. Similarly, the extent to which contractors will meet recycling targets is uncertain. These risks may result in | Current budgets reflect recent trends in waste volumes. Other than undertaking work to influence behaviours there is limited scope for management to alleviate financial pressures should tonnage increase. Tonnage levels are closely |

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| | | the budget being over or under provided. A variation in tonnages of +/- 1% could result in a financial variation of £300,000. | monitored. More cost effective ways of disposing of waste are continually explored such as the Energy from Waste Plants and the new arrangements to transfer waste through the Brynsworthy Waste Acceptance Facility. |
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Abbreviations

Abbreviations used within the budget for all Scrutiny reports:

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| ADASS | Association of Directors of Adult Social Services |
| AMHP | Approved Mental Health Professional |
| AONB | Area of Outstanding Nature Beauty |
| ASW RAA | Adopt South West Regional Adoption Agency |
| BACS | Bankers automated clearing services (electronic processing of financial transactions) |
| BCF | Better Care Fund - formerly known as the Integration Transformation Fund, a national arrangement to pool existing NHS and Local Government funding starting in |
| BDUK | Broadband delivery UK |
| Blk | Block |
| BRRS | Business Rates Retention Scheme |
| CCG | Clinical Commissioning Group |
| CCLA | Churches, Charities and Local Authorities |
| CIL | Community Infrastructure Levy |
| CIPFA | The Chartered Institute of Public Finance & Accountancy |
| CO | Carbon Monoxide |
| C of E | Church of England |
| CPI | Consumer Price Index (inflation) |
| CVS | Council of Voluntary Services |
| DAF | Devon Assessment Framework |
| DC | District Council |
| DCC | Devon County Council |
| DDA | Disability Discrimination Act |
| DEFRA | Department for Environmental Food & Rural Affairs |
| DFC | Devolved Formula Capital |
| DoLS | Deprivation of Liberty Safeguards |
| DPLS | Devon Personalised Learning Service |
| DSG | Dedicated Schools Grant |
| DYS | Devon Youth Services |
| EFA | Education Funding Agency |
| EH4MH | Early Help 4 Mental Health |
| EHCP | Education & Health Care Plans |
| ERDF | European Regional Development Fund |
| ESPL | Exeter Science Park Ltd |
| EU | European Union |
| FF&E | Fixtures, Fittings & Equipment |
| FTE | Full Time Equivalent |

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| HIV | Human Immunodeficiency Virus |
| HMRC | Her Majesty's Revenue & Customs |
| HR | Human Resources |
| HRMS | Human Resources Management System |
| IBCF | Improved Better Care Fund - Additional grant funding to supplement the Better Care Fund |
| ICT | Information & Communications Technology |
| IID | Investing in Devon funds |
| INNOVASUMP | Innovations in Sustainable Urban Mobility plans for low carbon urban transport |
| IVC | In Vessel Composting |
| LAG | Local Action Group |
| LEP | Local Enterprise Partnership |
| LGA | Local Government Association |
| LMC | Local Medical Committee |
| LTP | Local Transport Plan |
| MH | Mental Health |
| 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 |
| NFF | National Funding Formula |
| NHS | National Health Service |
| NLW | National Living Wage |
| NPIF | National Productivity Investment Fund |
| OP&D | Older People & Disability |
| OT | Occupational Therapist |
| PFI | Private Finance Initiative |
| PH | Public Health |
| PHN | Public Health Nursing |
| PSPB | Priority School Building Project |
| PTE | Part-time Equivalent (15 hours) |
| PWLB | Public Works Loans Board |
| R&R | Ring and Ride |
| REACH | Reducing Exploitation and Absence from Care or Home |
| ROVICs | Rehabilitation Officers for Visually Impaired Children services |
| RD&E | Royal Devon & Exeter Hospital |
| RPA | Rural Payments Agency |
| RSG | Revenue Support Grant |
| S106 | Funding from developers resulting from planning obligations authorised by section 106 of the Town and Country Planning Act 1990 |

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| SCF | Southern Construction Framework - delivers construction capital projects to around 50 public sector clients |
| ScoMIS | Schools Management Information Service |
| SEND | Special Education Needs and Disability |
| SGO | Special Guardianship Order |
| STP | Sustainable Transformation Programme |
| TBC | To be confirmed |
| TCS | Transport Co-Ordination Services |
| TUPE | Transfer of Undertakings (Protection of Employment) |
| UASC | Unaccompanied Asylum Seeking Children |
| UK | United Kingdom |
| VAWG | Violence against Women and Girls |
| VELP | Vehicle Equipment Loan Pool |