Devon County Council

Revenue Budget 2017/18
Medium Term Financial Strategy to 2020/21
and
Capital Programme 2017/18 to 2021/22

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CT/17/10
County Council
16th February 2017

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Introduction

2016/17 was the first year of a new Government. The Brexit referendum result has greatly increased levels of uncertainty at a national level. Local Government has little information on the Government's Needs review, the implications of the planned 100% Business Rates Retention scheme and the £1.5 billion Improved Better Care Fund.

Although the Autumn Statement was very bland the Provisional Local Government Finance Settlement in December did provide some important clarity. The main items of note are set out below:

- An increase in the Adult Social Care Precept to 3%;
- Reforms to the New Homes Bonus scheme;
- A new one-off Adult Social Care Support Grant.

The Revenue Budget Overview on page 9 and The Medium Term Financial Strategy on page 77 provide more detail on these announcements and the potential impact on the authority's budget.

Setting the Budget

The budget book contains details of the County Council's revenue and capital budgets as received by the County Council on 16th February 2017, together with associated financial and operational information. The content is based on the budget report to the Cabinet on 10th February 2017.

The Council's financial plans are drawn up with reference to:

- the County Council's major policies and objectives;
- the County Council's performance framework;
- demographic changes occurring within the county; and
- consultation with local residents, businesses and other stakeholders.

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

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

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

https://new.devon.gov.uk/impact/published/budget-setting-201718/

More Information

Contact details are provided throughout the budget book, for any general budget issues please contact Angie Sinclair, Deputy County Treasurer on 01392 380711.
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Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for 2017/18

Date	Committee	Subject	Ref No.
14th December 2016	Cabinet	Revenue/Capital Budget 2017/18	CT/17/01
19th January 2017	Health and Wellbeing Scrutiny	Draft Revenue Budget 2017/18	CT/17/02
20th January 2017	Place Services Scrutiny	Draft Capital Programme 2017/18 - 2021/22 and Draft Revenue Budget 2017/18	CT/17/03
23rd January 2017	People Services Scrutiny	Draft Capital Programme 2017/18 - 2021/22 and Draft Revenue Budget 2017/18	CT/17/04
24th January 2017	Corporate Services Scrutiny	Draft Capital Programme 2017/18 - 2021/22 and Draft Revenue Budget 2017/18	CT/17/05
30th January 2017	Joint Overview/Scrutiny	Draft Capital Programme 2017/18 - 2021/22 and Draft Revenue Budget 2017/18	CT/17/02 CT/17/03 CT/17/04 CT/17/05
10th February 2017	Cabinet	Impact Assessments	https://new.devon.gov.uk/impact/published/budget-setting-201718/
10th February 2017	Cabinet	Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions	CS/17/10
10th February 2017	Cabinet	Overview/Scrutiny Committee recommendations	
10th February 2017	Cabinet	Revenue Budget and Medium Term Financial Strategy 2017/18 - 2020/21 and Capital Programme 2017/18 - 2021/22	CT/17/09
16th February 2017	Council	Revenue Budget and Medium Term Financial Strategy 2017/18 - 2020/21 and Capital Programme 2017/18 - 2021/22	CT/17/10

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

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

The preparation of the budget for 2017/18 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 105 to 117.

It has been necessary to make significant and far reaching budget reductions to meet the targets set by the Cabinet. Details of the reductions have been provided to Scrutiny Committees and are contained in the detailed 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 2017/18 have been set at £14.6 millions. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided on page 90.

In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2018 is estimated at £42.3 millions.

The total for revenue reserves and balances for 2017/18 is forecast as £56.9 millions. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2016/17 provides an indication of the pressures facing the authority in 2017/18. In 2016/17 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 2017/18 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 2017/18. The total level of reserves and balances of £56.9 millions has been based on a comprehensive risk assessment and is judged adequate to meet all reasonable forecasts of future liabilities.

Mary Davis

Revenue Budget Overview

2016/17 was the first year of a new Government. The Brexit referendum result has greatly increased levels of uncertainty at a national level. Local Government has little information on the Government's Needs review, the implications of the planned 100% Business Rates Retention scheme and the £1.5 billion Improved Better Care Fund.

Although the Autumn Statement was very bland the Provisional Local Government Finance Settlement in December did provide some important clarity. The main items of note are set out below:

- In 2016/17, the Social Care Precept on Council Tax was set at 2% per annum for the period 2016/17 to 2019/20 inclusive. The terms of this precept have now been changed for the period 2017/18 to 2019/20. Local Authorities will now be able to increase the Social Care Precept by up to 3% per annum in 2017/18 and 2018/19. However, authorities that go ahead with the 3% increase in both years will not be able to make a further increase in 2019/20 (i.e. the total allowable increase over the three year period remains at 6%).
- The 2017/18 New Homes Bonus allocations and details of the consultation on the future of the scheme have been announced (previously these figures were indicative). The number of years the scheme will be based upon, currently six years, will reduce to five years in 2017/18 and four years from 2018/19 onwards. The scheme will now also only reward growth in homes above 0.4% per annum, currently all growth is rewarded. These changes have reduced the County Council's expected New Homes Bonus allocation by £709,000. The majority of New Homes Bonus, 80%, is retained by the District Councils and the impact of this change is therefore felt more keenly by them. The Devon Districts have between them seen their funding reduced by £2.95 millions in 2017/18.
- The changes to the New Homes Bonus Scheme have allowed the government to remove £241 millions from the 2017/18 scheme. This saving has been used to create the new Adult Social Care Support Grant. This funding is being distributed based on the relative needs formula and is for 2017/18 only. The County Council will receive £3.592 millions.
- As the Adult Social Care Support Grant is for 2017/18 only and the increased freedoms relating to the Social Care Precept being a matter of timing only there is no change to funding levels from these two changes in 2019/20.
- Within the Business Rates Retention system the Top Up element has been amended to reflect the 2017 revaluation. For the County Council this amounts to an additional £74,000 in 2017/18; this is not a gain however, as the local element of Business Rates is expected to reduce by this amount. The other elements of Core Funding are as expected.

The provisional settlement has confirmed that the Council Tax increase that will trigger a referendum, excluding the Social Care Precept, will remain at 2% for 2017/18.

In 2017/18 government funding (core funding) for the County Council will reduce from £151.6 millions in 2016/17 to £128.3 millions in 2017/18. This is a reduction of £23.3 millions, nearly 15.4%. Although this is inline with the four year settlement announced in 2016/17 it is still a significant reduction to our funding at a time when there are huge pressures on Social Care services.

The Revenue Budget overview and The Medium Term Financial Strategy on pages 77 to 88 provide more detail on these announcements and the potential impact on the authority's budget.

Revenue Expenditure

Detailed budgets have now been produced within the parameters set by Cabinet in January 2017; these are shown on pages 35 to 75. The budget pages also show the reduction in budgeted staff numbers on a service by service basis.

The service budgets total £459.6 millions. The table below sets out the changes to the budget in summary.

	2016/17 Adjusted Base Budget £000	Inflation & Pressures £000	Savings & Income Initiatives £000	2017/18 Base Budget £000	
Adult Care & Health	197,747	26,936	(8,190)	216,493	+9.5%
Children's Services	115,827	7,843	(5,539)	118,131	+2.0%
Communities, Public Health, Environment & Prosperity	33,311	2,468	(576)	35,203	+5.7%
Corporate Services	33,466	2,283	(2,397)	33,352	-0.3%
Highways, Infrastructure Development & Waste	58,437	3,496	(5,527)	56,406	-3.5%
	438,788	**43,026**	**(22,229)**	**459,585**	

Over the five year period 2011/12 to 2016/17 the Council has had to make savings of just over £208 millions. This degree of change comes with risk. The risks associated with the delivery of the 2017/18 budget and the mitigating action needed to try to contain that risk is detailed on pages 105 to 117.

Revenue Expenditure - Other items

Key Table 1 on page 12 shows the estimated level of spending on other items such as Capital Financing and Interest on Balances. These items are held centrally and not distributed to service budgets. Capital Financing Charges are dependent on the Council's Capital Programme explained on page 19 to 32. Factors that influence the income gained from our balances are set out on pages 93 to 104 that explains the Council's Treasury Management Strategy.

Revenue Income - Funding from Central Government - Final Settlement

Key Table 1 on page 12 also shows how the Council's net budget is funded with just under 22% coming from Central Government.

At the time of preparing the Budget for Cabinet and Council the Final Local Government Settlement for 2017/18 has not been received. It is necessary therefore to set the Budget and Council Tax based on the Provisional Settlement received in December 2016. If the Final Settlement is different to the Provisional Settlement then this difference will be either added to or taken from the Budget Management Reserve.

Revenue Income - Council Tax

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

District Councils have now reported their final tax base and surpluses/deficits on collection. The level of tax collection surplus attributable to the County Council is an estimated £6.2 millions. Surpluses serve to reduce the Council tax implications of any

given spending level, but only on a one-off basis. They cannot be relied on for future years or to fund on-going expenditure.

Authorities with social care responsibilities have been given new powers to set a 3% Social Care Precept in 2017/18. This equates to just over £10.2 millions in 2017/18 and is included within the Council Tax Requirement.

Revenue Income - Specific Grants

The Council not only receives formula grant but also specific grants that relate to specific activities and these are detailed in Key Table 4 on pages 15 and 16. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2017/18 the Dedicated Schools Grant has increased to £477.4 millions from £461.8 millions. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Reserves and Balances

Members need to endorse the level at which general balances and earmarked reserves should be maintained. Page 89 to 92 explains the Council's strategy for its reserves and balances. It is recommended that general balances are maintained at or above £14 millions. A detailed risk assessment has been completed which demonstrates that residual risk after mitigation, falls below this level.

Beyond 2017/18

As part of the 2016/17 local Government Finance Settlement the Government made an offer to Local Government of a four year funding settlement if Local Authority's prepared and submitted an Efficiency Plan. The County Council took up this offer, not because it thought the settlement was a good one for Local Government, far from it, but because it gave a measure of certainty over our future funding. Over the four year period Government funding is reduced as Revenue Support Grant reduces. So in 2016/17 we received £151.64 millions; this reduces to £128.24 millions in 2017/18; £114.91 millions in 2018/19 and £102.31 millions in 2019/20 – by which time Revenue Support Grant will have reduced to just £540,000.

Key Table 6 on page 18 sets out the Medium Term Financial Strategy.

Conclusion

In 2016/17 the Council grappled with providing an appropriate level of funding for Children’s Social Care. In 2017/18 the main issue is providing adequate funding for Adult Social Care. The Council is increasing the Adult Social Care budget by £18.7 millions. This is a sum which exceeds the funding made available through both the new Adult Social Care Support Grant and the Social Care Precept. If Adult Social care is key to setting the 2017/18 budget then it is also key to its delivery. The Council will need to work together as one and work with partners such as Health to try to ensure that the demand for Adult Social care is managed and contained in 2017/18 and future years.

Key Table 1 – Council Tax Requirement

2016/17 Adjusted Budget £000		Changes £000	2017/18 Budget £000
197,747	Adult Care & Health	18,746	216,493
115,827	Children's Services	2,304	118,131
33,311	Communities, Public Health, Environment & Prosperity	1,892	35,203
33,466	Corporate Services	(114)	33,352
58,437	Highways, Infrastructure Development & Waste	(2,031)	56,406
0	County Council Election	1,500	1,500
0	Central Contingency - Apprenticeship Levy	692	692
5,935	Pension contribution shortfall	(4,935)	1,000
1,356	Insurance Provision	0	1,356
446,079	**TOTAL SERVICE BUDGETS**	**18,054**	**464,133**
44,261	Capital Financing Charges	(1,947)	42,314
7,078	Exeter Schools PFI Financing Charges	(478)	6,600
5,066	Exeter Energy from Waste PFI Financing Charges	0	5,066
2,796	Plymouth Energy from Waste PFI Financing Charges	0	2,796
(1,215)	Interest on Balances	465	(750)
250	Revenue Support for Flood Prevention Works	0	250
488	Special Educational Needs	55	543
350	Council Tax Support Partnership	0	350
1,390	Dartington School	(570)	820
5,000	New Burdens Resillience	(5,000)	0
1,500	Bellwin Scheme Related Emergencies	0	1,500
550	Highway Safety Defects	(550)	0
450	Highway Drainage	50	500
1,000	Transformation	(1,000)	0
0	Highways Rural Roads	2,000	2,000
3,798	Spending from Reserves	1,912	5,710
463	Environment Agency - Flood Defence	46	509
326	Inshore Fisheries Conservation Authority (IFCA)	12	338
(3,798)	Use of Reserves	(1,912)	(5,710)
0	Transfer from Budget Management Reserve	(11,600)	(11,600)
5,000	Contribution to Service Transformation Reserve	(3,000)	2,000
(488)	Special Educational Needs Grant	(55)	(543)
(1,360)	Business Rates Cap Compensation Grant	(78)	(1,438)
(2,820)	Independent Living Fund (ILF)	27	(2,793)
(5,816)	Education Services Grant	4,217	(1,599)
0	Education Statutory retained duties - schools contribution	(1,459)	(1,459)
(340)	Local Service Support Grant	(48)	(388)
(5,370)	New Homes bonus	709	(4,661)
(230)	New Homes Bonus Adjustment Grant	(5)	(235)
(1,254)	Small Business and Empty Property Rate Relief Grant	(385)	(1,639)
(7,409)	Rural Services Delivery Grant	1,426	(5,983)
(2,823)	Transitional Grant	12	(2,811)
0	Lead Local Authority Flood Relief Grant	(84)	(84)
0	Adult Social Care Support Grant	(3,592)	(3,592)
0	School Improvement Grant	(450)	(450)
0	Improved Better Care Fund	(200)	(200)
492,922	**NET BUDGET (BUDGET REQUIREMENT)**	**(3,428)**	**489,494**
	Financed by:		
(57,700)	Revenue Support Grant	25,255	(32,445)
(72,110)	BRRS Central Government Top Up	(3,009)	(75,119)
(22,215)	BRRS Local Element	1,589	(20,626)
960	Collection Fund (Surplus)/Deficit - BRRS	2,355	3,315
(6,324)	Collection Fund Surplus - Council Tax	123	(6,201)
335,533	**COUNCIL TAX REQUIREMENT**	**22,885**	**358,418**

The 2017/18 Band D Council Tax is increased by 4.99% to £1,267.92

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	£'s
County Council Budget funded by District Councils' collection funds	364,619,578.45
Net Surplus on Council Tax collection in previous years	-6,201,163.43
Total to be met from Council Tax precepts in 2017/18	**358,418,415.02**

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate %
East Devon	58,234.00	57,477.00	98.70
Exeter	37,316.00	36,197.00	97.00
Mid Devon	28,445.02	27,876.12	98.00
North Devon	33,609.71	32,769.47	97.50
South Hams	38,142.47	37,379.62	98.00
Teignbridge	48,094.90	47,614.00	99.00
Torridge	23,656.79	23,420.22	99.00
West Devon	20,565.74	19,948.77	97.00
Total	**288,064.63**	**282,682.20**	**98.13**

COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

Valuation Band	Government Multiplier		Council Tax
	Ratio	% of Band D	£'s
A	6/9	66.7	845.28
B	7/9	77.8	986.16
C	8/9	88.9	1127.04
D	**1**	**100.0**	**1,267.92**
E	11/9	122.2	1,549.68
F	13/9	144.4	1,831.44
G	15/9	166.7	2,113.20
H	18/9	200.0	2,535.84

The County Council Tax for Band D represents an increase of 4.99% on the 2016/17 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2017/18

District Council	Surplus (deficit) for 2016/17 £'s	Precepts Due 2017/18 £'s	Total due in 2017/18 £'s
East Devon	1,255,024.66	72,876,237.84	74,131,262.50
Exeter	754,531.00	45,894,900.24	46,649,431.24
Mid Devon	272,179.00	35,344,690.07	35,616,869.07
North Devon	328,008.77	41,549,066.40	41,877,075.17
South Hams	861,000.00	47,394,367.79	48,255,367.79
Teignbridge	1,081,134.00	60,370,742.88	61,451,876.88
Torridge	871,286.00	29,694,965.34	30,566,251.34
West Devon	778,000.00	25,293,444.46	26,071,444.46
	6,201,163.43	**358,418,415.02**	**364,619,578.45**

Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	£'000
Estimated balance as at 31st March 2017	**14,636**
Add contribution in 2017/18	**0**
Estimated balance as at 31st March 2018	**14,636**

Note: The estimate of both working balances and earmarked funds as at March 2017 reflect the best known information to date: the final totals will change as a result of decisions taken at outturn.

EARMARKED REVENUE RESERVES

	Estimated Balance at 31.03.17 £'000	Estimated Spending £'000	Estimated Income £'000	As at 31.03.18 £'000
Affordable Housing	203	60		**143**
On Street Parking	4,344	1,230		**3,114**
Public Health	226	226		**0**
Budget Management	24,026	11,600		**12,426**
Business Rate Risk Management	2,425			**2,425**
Emergency	15,000			**15,000**
Service Transformation	11,413	4,194	2,000	**9,219**
Total Earmarked Revenue Reserves	**57,637**	**17,310**	**2,000**	**42,327**

Key Table 4 – Government Specific Grants

Service and Grant Title	Funded by	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Adult Care Operations and Health					
Local Reform Community Voices Grant	Department of Health	138	138	138	138
Social Care in Prisons Grant	Department of Health	303	303	303	303
Contributions	Health and other local authorities	16,358	16,358	16,358	16,358
		16,799	**16,799**	**16,799**	**16,799**
Adult Commissioning and Health					
Local Reform Community Voices Grant	Department of Health	344	344	344	344
Contributions	Health and other local authorities	930	930	930	930
		1,274	**1,274**	**1,274**	**1,274**
Children's Social Work and Child Protection					
Assessed and Supported Year in Employment	Department for Education	52	52	52	52
Youth Detention Grant	Ministry of Justice	26	26	26	26
Youth Justice Grant	Youth Justice Board	67	67	67	67
Police & Crime Commissioner Grant	Office of the Police & Crime Commissioner	19	19	19	19
Unaccompanied Asylum Seekers Grant	Home Office	2,162	3,783	4,045	4,045
Troubled Families Programme	Department for Communities & Local Government	1,050	1,050	1,050	1,050
Contributions	Health and other local authorities	1,884	1,884	1,884	1,884
		5,260	**6,881**	**7,143**	**7,143**
Education and Learning - Dedicated Schools Grant					
Dedicated Schools Grant*	Education Funding Agency	477,365	477,365	477,365	477,365
Early Years - Disadvantaged 2 Year Olds	Education Funding Agency	5,083	5,083	5,083	5,083
Post 16 Funding	Education Funding Agency	5,129	5,129	5,129	5,129
Pupil Premium	Education Funding Agency	23,496	23,496	23,496	23,496
Universal Infant Free School Meals	Education Funding Agency	7,813	7,813	7,813	7,813
PE & Sport Grant	Department for Education	2,765	2,765	2,765	2,765
Music Grant	Arts Council	919	919	919	919
Contributions	Health and other local authorities	846	846	846	846
		523,416	**523,416**	**523,416**	**523,416**
Economy, Enterprise and Skills					
LAG - MIL (Making it Local 2)	RPA	58	60	58	0
LAG - REAL Devon	RPA	51	52	51	0
Learn Devon - Community Learning	Skills Funding Agency	2,185	2,185	2,185	2,185
Learn Devon - Adult Skills Budget (inc Apprenticeships / Additional Learning Support)	Skills Funding Agency	1,064	1,064	1,064	1,064
Learn Devon - 14-19 EFA Funding	Education Funding Agency	135	135	135	135
Trading Standards	Government Grants	100	100	100	100
		3,593	**3,596**	**3,593**	**3,484**
Planning, Transportation and Environment					
Natural Futures	Heritage Lottery	78	0	0	0
Areas of Outstanding Natural Beauty	DEFRA	301	306	311	311
Areas of Outstanding Natural Beauty	Other Local Authorities	73	73	73	73
Environment and Sustainable Travel	Other Local Authorities	43	73	43	73
Maritime and Fisheries projects	Other	11	11	11	11
Taw Valley Countryside Stewardship Facilitation Fund	European Agricultural Fund	39	39	39	39
Devon Resilience Fourm	Environment Agency	2	0	0	0
Devon Resilience Fourm	Office of the Police & Crime Commissioner	2	0	0	0
Coastal Creatures	Heritage Lottery Fund	20	5	0	0
South West Coast Path & Country Parks	Natural England	109	109	109	109
Bikeability	Department of Transport	280	280	280	0
Innovasump	ERDF	38	19	0	0
Bus Service Operators Grant	Department of Transport	1,146	1,146	1,146	1,146
Transport contributions	Other Local Authorities	62	62	62	62
Transport contributions	Other	950	946	871	824
		3,154	**3,069**	**2,945**	**2,648**

Service and Grant Title	Funded by	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Communities and Other Services					
Active Devon	Sport England	748	748	748	748
Active Devon	Other	83	83	83	83
Syrian Refugee	Home Office	500	900	900	900
Youth Services	Other	13	13	13	13
Emergency Planning	Other Local Authorities	40	40	40	40
		1,384	**1,784**	**1,784**	**1,784**
Public Health					
Public Health	Department of Health	28,238	27,504	26,788	26,092
Public Mental Health	Better Care Fund	91	30	0	0
Nicotine Replacement Therapy Contribution	NEW Devon CCG	650	650	650	650
		28,979	**28,184**	**27,438**	**26,742**
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	1,875	1,889	1,905	1,920
		8,812	**8,826**	**8,842**	**8,857**
Infrastructure Development and Waste Management					
Ecowaste4food	ERDF	**32**	**32**	**35**	**32**
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	25	25	25	25
South West Coast Path & Country Parks	Historic England	10	7	14	0
South West Coast Path & Country Parks	Natural England	112	112	112	112
		222	**219**	**226**	**212**
Total		**592,925**	**594,080**	**593,495**	**592,391**

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

*The Dedicated Schools Grant is estimated on October 2016 pupil numbers. The final grant allocation is expected to be notified by end of March 2017.

Key Table 5 – Grants Paid to External Organisations

2016/17 £000	Service and Grant Title	2017/18 £000
	Children's Social Work and Child Protection	
190	University Bursary Grants	194
150	Facilitating Access to Mainstream Activities for Disabled Children's Services	150
32	Calvert Trust Short Holiday Breaks	32
372		**376**
	Planning, Transportation and Environment	
45	AONB (East, South and Tamar)	48
60	Dorset & East Devon World Heritage site (Jurassic Coast)	60
25	Cornwall & West Devon Mining Landscape World Heritage site	25
20	South West Energy & Environment group	20
4	Wembury Centre	4
2	Tamar Estuaries consultative forum	2
20	Devon Wildlife Trust Nature Improvement Area Project	20
126	Safety Camera Partnership	101
40	Devon & Cornwall Rail Partnership	40
247	Community bodies	247
589		**567**
	Communities and Other Services	
400	Citizens Advice Bureau	400
72	Community Council of Devon	72
189	Councils for Voluntary Services	189
661		**661**
	Public Health	
10	Exmoor National Park	0
20	Dartmoor National Park	0
25	Devon Rape Crisis	25
10	Young Devon	10
22	North Devon against Domestic Abuse	80
15	Teignbridge D.C	10
102		**125**
1,724	**TOTAL**	**1,729**

Key Table 6 – Medium Term Financial Strategy

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Adult Care & Health	216,493	218,708	223,386	232,008
Childrens Services	118,131	118,278	120,827	124,122
Community Health, Environment & Prosperity	35,203	34,593	35,300	35,871
Corporate Services	33,352	34,075	34,958	35,872
Highways, Infrastructure Development & Waste	56,406	58,271	60,314	63,179
Savings to Services	0		(22,806)	(33,831)
County Council Election	1,500	0	0	0
Central Contingency - Apprenticeship Levy	692	692	692	692
Central Contingency - National Living Wage	0	4,006	4,058	4,333
Pension contribution shortfall	1,000	1,500	2,000	2,500
Insurance Provision	1,356	1,356	1,356	1,356
TOTAL SERVICE BUDGETS	**464,133**	**471,479**	**460,085**	**466,102**
Other Budgets				
Capital Financing Charges	42,314	42,567	42,493	42,098
Exeter Schools PFI Financing Charges	6,600	6,600	6,600	6,600
Exeter Energy from Waste PFI Financing Charges	5,066	5,066	5,066	5,066
Plymouth Energy from Waste PFI Financing Charges	2,796	2,796	2,796	2,796
Interest on Balances	(750)	(750)	(750)	(750)
Revenue Support for Flood Prevention Works	250	250	250	250
Special Educational Needs	543	0	0	0
Council Tax Support Partnership	350	350	350	350
Dartington School	820	0	0	0
Bellwin Scheme Related Emergencies	1,500	1,500	1,500	1,500
Highways Drainage	500	0	0	0
Highways Rural Roads	2,000	0	0	0
Spending from Reserves	5,710	4,325	4,050	4,033
Payments Made to Outside Bodies				
Environment Agency - Flood Defence	509	560	616	678
Inshore Fisheries Conservation Authority (IFCA)	338	348	348	358
Reserves and Balances				
Use of Reserves	(5,710)	(4,325)	(4,050)	(4,033)
Transfer from Budget Management Reserve	(11,600)	0	0	0
Contribution to Service Transformation Reserve	2,000	5,000	5,000	5,000
Other Grant Income				
Special Educational Needs Grant	(543)	0	0	0
Business Rates Cap Compensation Grant	(1,438)	(1,484)	(1,536)	(1,536)
Independent Living Fund (ILF)	(2,793)	(2,704)	(2,622)	(2,543)
Education Services Grant	(1,599)	0	0	0
Education Statutory retained duties - schools contribution	(1,459)	(1,459)	(1,459)	(1,459)
Local Service Support Grant	(388)	(388)	(388)	(388)
New Homes bonus	(4,661)	(3,328)	(3,184)	(3,040)
New Homes Bonus Adjustment Grant	(235)	(235)	(235)	(235)
Small Business and Empty Property Rate Relief Grant	(1,639)	(1,672)	(1,706)	(333)
Rural Services Delivery Grant	(5,983)	(4,603)	(5,983)	(5,983)
Transitional Grant	(2,811)	0	0	0
Lead Local Authority Flood Relief Grant	(84)	(84)	(84)	(84)
Adult Social Care Support Grant	(3,592)	0	0	0
School Improvement Grant	(450)	0	0	0
Improved Better Care Fund	(200)	(10,248)	(19,650)	(19,650)
Improved Better Care Fund - additional responsibilities	0	10,248	19,650	19,650
NET BUDGET (BUDGET REQUIREMENT)	**489,494**	**519,809**	**507,157**	**514,447**
Financed By:				
Revenue Support Grant	(32,445)	(16,294)	(537)	2,537
BRRS Central Government Top Up	(75,119)	(77,536)	(80,294)	(82,703)
BRRS Local Element	(20,626)	(21,250)	(21,980)	(22,408)
Collection Fund (Surplus)/Deficit - BRRS	3,315	1,000	1,000	1,000
Collection Fund Surplus - Council Tax	(6,201)	(3,000)	(3,000)	(3,000)
COUNCIL TAX REQUIREMENT	(358,418)	(379,923)	(391,321)	(403,061)
Budget Savings Required	**0**	**22,806**	**11,025**	**6,812**
Savings included in service budgets lines above	(22,229)	(14,244)	(7,259)	(2,291)
Further savings required	0	(22,806)	(11,025)	(6,812)
Total savings to be delivered	(22,229)	(37,050)	(18,284)	(9,103)

Capital Programme Overview

The Capital Programme

The authority's five year capital programme aims to maximise investment in the authority's infrastructure and assets necessary to support service delivery while minimising the impact upon the revenue budget. As part of last year's budget the number of new schemes added to the plan was kept to a minimum. In response to pressures across the authority's estate and IT infrastructure this plan is recommending new capital investment for a number of high priority schemes which will be funded from capital receipts. The use of capital receipts will minimise the impact of capital financing costs upon the revenue budget.

Shaping the Capital Programme

The shape and size of the capital programme is determined and influenced by a number of factors including the availability of internal and external resources and competing demands for investment. The addition of new schemes to the plan was limited last year due to the availability of internal cash resources. However, a programme of capital investment is now required and to minimise the impact upon the revenue budget these schemes will be funded from capital receipts.

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 council's Treasury Management Strategy with the authority not having undertaken any new external borrowing since January 2008.

The shape of the capital programme in the future will be dependant upon the continued delivery of capital receipts and the availability of internal cash resources. Based upon the additions to the plan and reduced levels of internal cash arising from the change in the Minimum Revenue Policy in 2015/16, there will be limited flexibility to make additions to the programme in the future.

Availability of DCC Resources – Internal Borrowing and Capital Receipts

One of the main drivers that shape the capital programme is the desire to contain debt and thus reduce the revenue impact of capital financing. In setting the 5 year capital programme from 2017/18 there are no new capital schemes recommended to be funded from borrowing.

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

In times of budgetary constraint there is a strong argument for saying that a capital programme with minimal borrowing represents the most appropriate position. In setting the programme for 2017/18 and beyond, new schemes identified are recommended to be funded from capital receipts. This ensures minimal impact on the revenue budget but, by its nature, this funding source is limited to the amount of DCC assets that are available for disposal and can be sold. No capital spend is due to be financed from reserves or non schools revenue budgets.

Availability of Resources

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

The Local Highways Maintenance capital block funding announced in December 2014 set the needs based formula funding allocation for the period 2015/16 - 2017/18 and indicative allocations for 2018/19 - 2020/21. A new element was also introduced called an Incentive Fund. This Fund will reward high performing local authorities who can demonstrate they are delivering value for money in carrying out cost effective improvements and have effective asset management planning. Indicative allocations have been advised and have been included in the budget for the period 2017/18 - 2021/22.

In addition a £250 millions Pothole Action Fund was announced in the 2015 Budget. This is allocated by formula each financial year and is shared by local authorities between 2016/17 and 2020/21 based on the road length for which each authority is responsible. The government has outlined its commitment to road improvements as part of the Autumn Statement in 2016 and has confirmed the County's Pothole Action Fund allocation for 2017/18 which has been built into the capital programme. The government will announce further capital allocations to be funded from the £1.8 billions Local Growth Fund in due course.

The Department for Transport continues with the policy that it will no longer set aside a proportion of funding for a resilience contingency fund and has recommended that local highway authorities' ensure they retain a contingency for repairing damage to local highways and associated assets caused by incidents such as extreme weather. A sum of £2 millions from Devon's Local Highways Maintenance capital block allocation has been separately identified within the Local Transport Plan (LTP) maintenance budget in 2017/18 to address this issue.

The County has seen a rise in the amount of "forward funding" that is required to fund the capital programme in the last few years. This is where the council will use internal resources to fund schemes in advance of the actual receipt of section 106 or Community Infrastructure Levy (CIL) monies. These external contributions are essential to support the delivery of the capital programme, albeit there can be a time lag between when a capital scheme has been completed and paid for by the authority and when the actual cash contribution is received.

A combination of the ongoing impact of forward funding and the impact of a reduction in the amount of cash set aside for the repayment of debt due to the revised Minimum Revenue Provision (MRP) policy in the previous financial year, will be to limit the availability of internal borrowing for capital financing purposes. If the future capital programme cannot be contained within available capital receipts, grants, contributions and limited internal borrowing, external borrowing may be required.

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

Demand for Capital Investment

In recent years, there were strict rules on new schemes that were funded from corporate resources. However, there are a number of demands for capital investment across the County's estate and IT infrastructure. These demands were considered to be significant and in need of investment and will be funded from corporate capital receipts. Those schemes deemed to be high priority are shown below:

Scheme	Cost £'000
Replacement and Upgrade Corporate Estate	3,000
In Vessel Composting Sites	500
Country Farms Estate Enhancement Programme	3,000
IT Replacement and Renewal to Support the Operating Model	3,000
IT User Access & Productivity Tools, Infrastructure & Digital Communications	2,500
Total	**12,000**

The Medium Term Capital Programme

The County will be investing over £398 millions in Devon over the next 5 years. The latest forecast of the programme analysed by funding source is shown in Table A. The funding available in forecast years will change as Government policies and grant allocations are published.

Table A: Forecast spending by funding source

Funding Source	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Borrowing - Unsupported	9,112	9,855	1,767	0	18
Borrowing - VELP	1,200	1,200	1,200	1,200	1,200
Capital Receipts - General	9,601	4,997	6,141	2,715	1,443
Capital Receipts - IID	334	290	266	0	0
Direct Revenue Funds - Services	600	250	250	250	250
External Funding - Contributions	2,790	1,572	831	130	142
External Funding - Grants	84,156	79,825	55,868	55,192	54,892
External Funding - S106	6,958	0	5,100	0	0
Total	**114,751**	**97,989**	**71,423**	**59,487**	**57,945**

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

Table B: Anticipated Capital Programme

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Adult Care & Health	7,745	7,360	3,710	50	0
Children's Services	4,745	2,389	2,337	2,334	2,206
Community Health & Prosperity	36,967	36,891	16,644	8,621	8,657
Corporate Services	3,970	2,350	2,350	2,350	1,200
Highways Capital Development & Waste	61,324	48,999	46,382	46,132	45,882
Total	**114,751**	**97,989**	**71,423**	**59,487**	**57,945**

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

Capital Receipts

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

	2017/18 £'000
Estimated unapplied balance brought forward – General	8,520
Estimated unapplied balance brought forward – Investing in Devon	2,801
	11,321
Estimated receipts generated in-year	7,000
Anticipated application of general receipts – 2017/18 MTCP	(9,601)
Anticipated application of general receipts - 2016/17 slippage	(5,233)
Anticipated application of IID receipts - 2017/18 MTCP	(334)
Anticipated application of IID receipts - 2016/17 slippage	(172)
Movement in Year	**(8,340)**
Capital Receipts Unapplied at year end – general	686
Capital Receipts Unapplied at year end – Investing in Devon	2,295
Total Capital Receipts Unapplied	**2,981**

Risk Assessment

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

Risk 1: Scheme costs are higher than estimated

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

Actual costs are monitored on a monthly basis and overspends are identified. Overspends are managed by either modifying the scope of the scheme or by redirecting funding from other projects. All major schemes have a contingency built into their base budget.

Risk 2: External funding resources are not received

Mitigation: The potential impact of external funding not being received is reviewed when assessing the likely level of borrowing required to finance the capital programme. It is therefore factored into an assessment of borrowing limits. Projects do not begin until funding sources have been confirmed and approved as set out within financial regulations. External funding balances are monitored on a monthly basis including the expected receipt of external contributions which have been forward funded e.g. s106 contributions and CIL.

Risk 3: The Programme not being delivered on time

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

Risk 4: Capital Receipts arising later or lower than forecast

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

Programme Detail

The following tables detail the medium term capital programme for each service.

These tables do not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Adult Care and Health

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Care Operations and Health						
Adaptations - Disabled adults houses		150	150	150	0	0
Works for Care Quality Commission & Provider Services		30	50	50	50	0
Barnstaple Hub	3,000	1,000	0	0	0	0
Lifting and handling equipment		10	10	10	0	0
Total		**1,190**	**210**	**210**	**50**	**0**
Adult Commissioning and Health						
Disabled Facilities Grant		5,737	0	0	0	0
Extra Care Housing		818	6,150	3,000	0	0
Grants to independent care homes to improve quality / capacity	2,500	0	1,000	500	0	0
Total		**6,555**	**7,150**	**3,500**	**0**	**0**
Adult Care & Health Total		**7,745**	**7,360**	**3,710**	**50**	**0**
Financed by:						
Borrowing - Unsupported		718	6,150	700	0	0
Capital Receipts - General		250	1,000	2,800	0	0
External Funding - Grants		6,777	210	210	50	0
Total		**7,745**	**7,360**	**3,710**	**50**	**0**

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Childrens Services

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Social Care						
Atkinson Unit - Front of house extension	1,104	633	17	0	0	0
Atkinson Unit - Staff room expansion	152	2	0	0	0	0
Adaptations - Disabled childrens houses		130	132	130	127	0
Children in care (contingency)		0	5	0	0	0
Grants to adapt foster carers houses		40	40	40	40	39
Upgrade of the Care First System		631	0	0	0	0
Total		**1,436**	**194**	**170**	**167**	**39**
Education & Learning						
Early Years provision (Kingsbridge) - New Facility	505	400	28	0	0	0
Devolved Formula Capital (DFC)		1,904	1,617	1,617	1,617	1,617
External contribution to school projects		50	50	50	50	50
External Grants to school projects		50	50	50	50	50
School budget share contribution to school projects		250	250	250	250	250
Schools Company South & West Devon Academy - Dartington School site	765	455	0	0	0	0
Vehicle Equipment Loans Pool - Schools		200	200	200	200	200
Total		**3,309**	**2,195**	**2,167**	**2,167**	**2,167**
Childrens Services Total		**4,745**	**2,389**	**2,337**	**2,334**	**2,206**
Financed by:						
Borrowing - Unsupported		455	5	10	0	18
Borrowing - VELP		200	200	200	200	200
Capital Receipts - General		1,201	172	160	167	21
Direct Revenue Funds - Services		250	250	250	250	250
External Funding - Contributions		50	50	50	50	50
External Funding - Grants		2,589	1,712	1,667	1,667	1,667
Total		**4,745**	**2,389**	**2,337**	**2,334**	**2,206**

* Scheme Approvals have been included for individual projects.
This table does not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Community, Health, Environment and Prosperity

Project	*Total Scheme Approval £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Economy, Enterprise and Skills						
Devon and Somerset Superfast Broadband Programme	13,500	1,580	1,440	480	0	0
District Heating Networks	177	177	0	0	0	0
Devon employment space strategy		52	0	0	0	0
Total		**1,809**	**1,440**	**480**	**0**	**0**
Planning, Transportation and Environment						
Large and Major Highway Schemes						
A361 North Devon Link Road Improvements		145	300	300	0	0
A38 Deep Lane - junction, Phase 1 Northern side	3,100	487	0	0	0	0
A382 Widening, Southern Phase, Newton Abbot	13,000	907	4,400	5,565	0	0
Bridge Road - Exeter	13,455	769	0	0	0	0
Crediton Link Road	8,421	51	10	10	0	0
Drumbridges and Battle Road Junction		100	0	0	0	0
Growth Deal Infrastructure Preparation		0	156	0	0	0
Moor Lane Roundabout widening		150	0	0	0	0
Roundswell Phase 2 - Barnstaple	2,855	288	0	0	0	0
South Devon Highway	117,998	5,884	3,166	1,643	241	277
Tithebarn Link Road Phase 2b and Pedestrian and Cycle Bridge	5,200	2,701	0	0	0	0
		11,482	**8,032**	**7,518**	**241**	**277**
Sustainable Transport						
Around Devon Cycle Route - Exeter to Broadclyst		1	1	1	0	0
Around Devon cycle route - Teign Estuary		313	61	265	0	0
Cycling - Exe Estuary		230	0	0	0	0
E4 : Exeter Strategic Cycle Route		150	0	0	0	0
Hollow Lane pedestrian and cycle route	108	95	0	0	0	0
Okehampton East Station		20	227	0	0	0
		809	**289**	**266**	**0**	**0**
LTP						
Local Transport Plan (LTP) Integrated transport block		**3,601**	**3,601**	**3,601**	**3,601**	**3,601**
Environment						
Schools Expansion						
Advanced Design Fees		324	350	0	0	0
Canada Hill Primary School - Expansion Early Stages of Development	70	50	0	0	0	0
Chudleigh Primary - Expansion	20	20	0	0	0	0
John Tallack Centre - Adaptations to Childrens Centre	5	5	0	0	0	0
Orchard Vale Community School - Expansion to 420	20	20	0	0	0	0
Proposed new primary school Sherford	1,000	0	1,000	0	0	0
Willand Primary - Studio / Performance Hall	20	20	0	0	0	0
		439	**1,350**	**0**	**0**	**0**

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Confirmed Basic Need Allocation		0	17,125	0	0	0
Estimated Basic Need		0	0	3,742	3,742	3,742
Energy cost reduction initiative		99	0	0	0	0
Axminster Primary (Green Lodge) - Expansion	360	100	0	0	0	0
Bodley House - Special educational need provision	1,380	1,000	0	0	0	0
Bovey Tracey Primary School - Expansion	160	130	0	0	0	0
Cranbrook New Community - Education Campus	1,608	442	0	0	0	0
Digital Free School (West Clyst) - New school contribution	576	576	0	0	0	0
Haywards (Credition) Primary - Expansion to 420	1,020	775	0	0	0	0
High Bickington C of E primary – Expansion	641	507	42	0	0	0
Highweek Primary - Additional Capacity	1,568	102	0	0	0	0
Honiton Primary School - Phased Expansion	1,230	1,000	0	0	0	0
Kingsteignton – New Primary School site	1,759	1,518	0	0	0	0
Landscore Primary (Crediton) - Expansion up to 420	1,240	29	0	0	0	0
Loddiswell Primary School - Replacement School	2,919	1,789	1,000	0	0	0
North Tawton Community Primary School - Additional classroom / Remodelling	314	284	0	0	0	0
Okehampton Primary - Additional Classroom	633	100	0	0	0	0
Proposed new primary / special school Bideford	1,000	0	1,000	0	0	0
Proposed new primary Newcourt (Trinity C of E Primary)	6,885	4,156	150	0	0	0
Proposed new primary Okehampton	1,722	250	0	0	0	0
South Molton Infants - Expansion to 420	569	508	15	0	0	0
St Andrews Primary (Cullompton) - Phased Expansion to PAN 60	1,364	1,230	0	0	0	0
Sticklepath Primary School - Expansion	608	30	0	0	0	0
Teignmouth Community School - Expansion to 420 Place	800	480	0	0	0	0
Westcliff School - Expansion to 420	1,950	1,600	300	0	0	0
Withycombe Primary School, Exmouth - Expansion up to 630	1,401	1,085	0	0	0	0
		17,790	**19,632**	**3,742**	**3,742**	**3,742**
Commissioning Services For Communities						
Youth service minor capital works		37	37	37	37	37
Cranbrook library		0	230	0	0	0
Library modernisation partnership schemes - Bideford	1,580	0	1,280	0	0	0
Vehicle Equipment Loans Pool - Fleet management		1,000	1,000	1,000	1,000	1,000
		1,037	**2,547**	**1,037**	**1,037**	**1,037**
Total		**35,158**	**35,451**	**16,164**	**8,621**	**8,657**
Communities, Health, Environment & Prosperity Total		**36,967**	**36,891**	**16,644**	**8,621**	**8,657**
Financed by:						
Borrowing - Unsupported		3,276	3,696	1,057	0	0
Borrowing - VELP		1,000	1,000	1,000	1,000	1,000
Capital Receipts - General		3,320	1,400	831	198	222
Capital Receipts - IID		334	290	266	0	0
Direct Revenue Funds - Services		350	0	0	0	0
External Funding - Contributions		2,740	1,522	781	80	92
External Funding - Grants		19,003	28,983	7,609	7,343	7,343
External Funding - S106		6,944	0	5,100	0	0
Total		**36,967**	**36,891**	**16,644**	**8,621**	**8,657**

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Corporate Services

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Digital Transformation and Business Support						
Information and Communications Technology						
DCC Operating Model ICT Replacement and Renewal		0	1,000	1,000	1,000	0
Digital communications and transactions		328	0	0	0	0
Supporting ICT Infrastructure		685	0	0	0	0
User access and productivity tools		1,467	0	0	0	0
		2,480	**1,000**	**1,000**	**1,000**	**0**
County Farms Estate						
County Farms Estate Enhancement Programme		**600**	**600**	**600**	**600**	**600**
Corporate Property Estate						
County Hall - Renew electrical & power systems		140	0	0	0	0
Property Enabling Budget		150	150	150	150	0
Replace and Upgrade Corporate Estate		600	600	600	600	600
		890	**750**	**750**	**750**	**600**
Corporate Services Total		**3,970**	**2,350**	**2,350**	**2,350**	**1,200**
Financed by:						
Borrowing - Unsupported		140	0	0	0	0
Capital Receipts - General		3,830	2,350	2,350	2,350	1,200
Total		**3,970**	**2,350**	**2,350**	**2,350**	**1,200**

* Scheme Approvals have been included for individual projects.
This table does not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Highways Infrastructure Development and Waste

Project	*Total Scheme Approval £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Waste Service						
Broadpath In Vessel Composting Plant		500	0	0	0	0
Ivybridge recycling centre	3,703	210	4	0	0	0
Waste Total		**710**	**4**	**0**	**0**	**0**
Schools Maintenance and Improvements						
Abbotskerswell Primary School - Replacement of Block 90	20	16	4	0	0	0
Alphington Primary School - Block 01 - Replace Roof	267	49	0	0	0	0
Ashleigh Church of England Primary School - Block 06 replacement and roof improvements	445	115	0	0	0	0
Bearnes Primary - Mezzanine Floor	100	46	0	0	0	0
Berrynarbor CofE Primary School - Block 03 internal wall refurb and joinery	31	25	6	0	0	0
Bishops Nympton Primary School - Block 01 - Renew Wet Heating System, Block 04 - Replace Boiler and Wet Heating System.	113	40	10	0	0	0
Bishops Nympton Primary School - Block 01 Window replacement. Block 02 window/door replacement and timber cladding	20	16	4	0	0	0
Bishops Tawton Primary - Refurburbish Hard Play Area	22	18	4	0	0	0
Bovey Tracey Primary School - Block 01 roof improvements and replace external retaining wall	15	12	3	0	0	0
Bratton Fleming Community Primary School - Block 01 Replace oil tank and pressure jet burner. CO Detection and Auto Shut off	43	35	8	0	0	0
Braunton Caen Primary School - Blk04 Windows / Blk01 Masonary improvements	149	120	29	0	0	0
Capital Maintenance (contingency)		565	450	0	0	0
Cheriton Fitzpaine Primary School - Replace biomass boiler flues	18	15	3	0	0	0
Combe Martin Primary School - Block 01 Replace Fire Alarm	51	41	10	0	0	0
Cornwood CofE Primary School - Block 01 - Replace Water Distribution Pipework and Improve External Walls	36	29	7	0	0	0
Cullompton Community College - Block 01 - Renew Boilers and Heating System	168	42	0	0	0	0
Dartington C of E Primary School - Rebuild work	6,806	4,313	0	0	0	0
Dawlish Community College - Block 01 - Replace Windows, Roof & Hot and Cold Water System, Block 07 & 03 - Replace Boiler. Devon Lady Improvements	242	44	0	0	0	0
DDA Projects Contingency		400	300	0	0	0
Decoy Primary School - Blocks 01, 05 & 07 CO Detection and Auto shutoff	14	12	2	0	0	0
East Anstey Primary School - Block 01 Window replacement & external refurbishment. Block 02 Window and door replacement and timber/exterior cladding	37	30	7	0	0	0
Ellen Tinkham School - Block 01 partial replacement of roof, rooflights and downpipes. Block 01 Replace boiler control panel. CO Detection and Auto shutoff	104	84	20	0	0	0
		6,067	**867**	**0**	**0**	**0**

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Schools Maintenance and Improvements continued						
Estimated Capital Maintenance		0	5,500	5,250	5,000	4,750
Great Torrington Bluecoat Primary School - Block 01 - Replace Windows, doors, timber cladding, & Fascias, guttering, downpipes and flat roofing	205	165	40	0	0	0
Heathcoat Primary School - Roof Improvements	406	194	0	0	0	0
Holbeton School - Block 02 - Replace Roof	56	45	11	0	0	0
Holsworthy CofE Primary School - Roof improvements	383	45	0	0	0	0
Holsworthy Community College - Blk 01 Heat, Blk10 Windows, Roof, Ext.	735	30	0	0	0	0
Holsworthy Community College - Block 01 - Fenestrations	19	16	3	0	0	0
Ilfracombe CofE Junior - Blocks 01 & 03 External Refurbishment. Block 08 roof and window improvements	173	139	34	0	0	0
Ilfracombe Infant & Nursery School - Block 01 - Replace Boiler, Windows and Shelving in Kitchen	67	54	13	0	0	0
King Edward Vi Community College - Site Refurbishment and Roof improvements	410	160	50	0	0	0
King's Nympton Primary - Block 01 - Fenestrations	20	16	4	0	0	0
Kingsbridge Community Primary School - Block 02 Replace windows	31	25	6	0	0	0
Ladysmith Infant School - Improve underground drainage	123	99	24	0	0	0
Littleham CofE Primary School, Exmouth - Block 01 - Rewire	58	46	11	0	0	0
Marland School - Expansion	4,067	2,445	500	0	0	0
Milton Abbot Primary School - Replacement Roof	185	148	37	0	0	0
MUMIS (contingency)		90	90	0	0	0
Newton St Cyres Primary School - PSBP Contribution	532	0	300	0	0	0
Northlew and Ashbury Primary - Structural Repairs	35	28	7	0	0	0
Oaklands Park - Block 02 Mechanical ventilation works	26	21	5	0	0	0
Okehampton College - Block 01 replace windows, doors, timber cladding, render and roofing works. Block 13 windows and spalling concrete panels	613	491	122	0	0	0
Okehampton College - Block 11 Window replacement	17	14	3	0	0	0
Pathfield School - Block 01 - Replace Sliding External Doors.	194	38	0	0	0	0
Pathfield School - Blocks 1,5 & 6 CO Detection and Autoshut off	15	12	3	0	0	0
Princetown Primary - Block 01 - Improve Wall to Resolve Dampness	24	20	4	0	0	0
Ratcliffe School - Replace Water Mains	58	13	0	0	0	0
Sandford School - Improve retaining walls	74	60	14	0	0	0
School Buildings Temporary Planning Permissions		25	0	0	0	0
Seaton Primary School - Block 01 - Replace Incoming Panel, Distribution Board, Upgrade Fire Alarm and Fenestrations	126	101	25	0	0	0
South Tawton Primary School - Replace Blocks 03, 04, 05 & 06	1,574	32	0	0	0	0
St Michaels CofE Primary School, Kingsteignton - Block 01 Roof improvements including drainage and rooflights	62	50	12	0	0	0
Stoke Canon CofE Primary School - Block 03 - Replace Windows	41	33	8	0	0	0
		4,655	**6,826**	**5,250**	**5,000**	**4,750**

Project	*Total Scheme Approval	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Schools Maintenance and Improvements continued						
Stoke Hill Infants School - Block 01 re-roofing above water tank and associated works.	86	69	17	0	0	0
Stoke Hill Junior School - Block 01 - Replace Fluorescent Lighting and Main Heating Pumps, Block 03 - Replace Fluorescent Lighting & Upgrade Fire Alarm, Block 02 - Replace Timber Cladding.	200	44	0	0	0	0
Stoke Hill Junior School - Blocks 1,2 & 3 Emergency Lighting	38	31	7	0	0	0
Stokenham Area Primary School - Block 01 Roof replacement	35	28	7	0	0	0
Tavistock College – Block 01 Replacement Windows	126	25	0	0	0	0
Tavistock Community Primary & Nursery School - DDA Project	62	20	0	0	0	0
Tedburn St Mary School - Block 01 - Replace Fenestrations.	52	10	0	0	0	0
The Axe Valley Community College - Replace blocks 07, 14, 17 & 20	1,987	500	0	0	0	0
The Chestnut Centre - Block 01 Structural Internal/External wall repairs	31	25	6	0	0	0
The Erme Primary School, Ivybridge - Block 01 window replacement and lift improvement works	22	18	4	0	0	0
The Park Community School - Block 04 renew wet system and radiators. Block 08 concrete cladding panel works	86	69	17	0	0	0
Two Moors Primary School, Tiverton - Block 01 roof and drainage improvements. Blocks 1,2,3,4,10,90 CO Detection and Auto Shut off	28	23	5	0	0	0
Ugborough Primary School - Block 01 - Replace Windows, Fascias & Redecorate, Block 02 & 03 - Replace Windows.	65	13	0	0	0	0
Upottery Primary School – Glazed roofing panes work	40	10	0	0	0	0
Wembury Primary School - Block 01 Window and Door Replacement	26	21	5	0	0	0
Whimple Primary School - Block 01 & 04 Replace Windows	53	10	0	0	0	0
Willowbank Primary - Electrical work	71	57	14	0	0	0
Winkleigh Primary School NOW D1 - Block 01 - Replace Roof and rooflights	37	30	7	0	0	0
Woolsery Primary School - Blocks 01 and 03 Mechanical Works	30	24	6	0	0	0
Other Schools Maintenance and Improvement Schemes		78	0	0	0	0
		1,105	**95**	**0**	**0**	**0**
Schools Maintenance and Improvements Total		**11,827**	**7,788**	**5,250**	**5,000**	**4,750**
Highways						
Challenge Fund Street Lighting Improvements	13,156	3,962	0	0	0	0
Depot Strategy		225	75	0	0	0
Local Transport Plan (LTP) Maintenance		44,325	41,132	41,132	41,132	41,132
Mamhead Slipway, Exmouth		275	0	0	0	0
Highways Total		**48,787**	**41,207**	**41,132**	**41,132**	**41,132**
Highways, Infrastructure Development and Waste Total		**61,324**	**48,999**	**46,382**	**46,132**	**45,882**

	*Total Scheme Approval £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Financed by:						
Borrowing - Unsupported		4,523	4	0	0	0
Capital Receipts - General		1,000	75	0	0	0
External Funding - Grants		55,787	48,920	46,382	46,132	45,882
External Funding - S106		14	0	0	0	0
Total		**61,324**	**48,999**	**46,382**	**46,132**	**45,882**

* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2016/17 which may be deferred to 2017/18 owing to changes in project delivery timescales.

Service Budgets

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Leadership Group Commentary

Introduction

Against a national back drop of economic and political uncertainty, Devon County Council is facing increasing pressures on its budget. Uncertainties around the potential fall out from Brexit make for a nervous economic picture, and there remains a lack of any clear direction around the devolution agenda and the potential for the Heart of the South West to benefit financially.

What is clear though is that while resources reduce, demand on services is growing. With people living longer and having increased and more complex needs, expectations of how the Council delivers services need to be managed more effectively.

We remain a large organisation and a major employer in the South West, with a budget of over £1 billion. This is becoming increasingly challenging to manage but by working in new and innovative ways with our staff, Members, partners and communities, it is achievable.

Services under pressure

The combination of increased need and increased complexity of need is putting our services under pressure. While we have already taken steps to increase efficiency and effectiveness, we need to do more to prevent unnecessary escalation into our high cost specialist service areas.

Our budget recognises that the health and social care system is a critical area that is under severe pressure, resulting in escalating demand on resources and the need for better integration. Our core purpose is to look after the old, the young and the most vulnerable people in our society and ensure they have the best outcomes while achieving value for money across all areas of our work.

With a greater emphasis on prevention and tackling health inequalities, we will work with our partners to identify opportunities for better local outcomes, encourage greater independence, and help people to help themselves and live their lives well.

Supporting people, whatever their circumstances, through education and into work is a cornerstone of our commitment to improving quality of life and giving back to the local economy.

We also work hard to keep Devon on the move, with a smooth transition to our new Term Maintenance Contractor helping to reduce costs, and Government grants helping to improve the rural road network.

Building community resilience

One of Devon's biggest assets is its communities. We know that many people are active in supporting others in their town and village, and our voluntary and community sector is strong, playing a key role in helping people to live independently, feel connected and build more resilient communities.

We are beginning to have a different sort of conversation with our communities and discovering more about what matters to them and how they want to work with others to reduce dependency on services. Our recent community survey revealed:

- 80% say their community is active in helping people to stay healthy with a good quality of life
- 84% think local people come together to support each other
- 71% say they look out for neighbours or anyone who might be isolated or lonely
- 68% say they can get the help and support they need from family, friends and the community

- 83% say they are active in helping to shape community life
- 72% say their community helps plan for emergencies such as flooding
- 90% say Devon is a place where people and communities can do well

A prime example of community self help is the innovative Integrated Care for Exeter (ICE) programme, bringing together local government, public and community sector organisations and NHS providers. ICE aims to improve the experience of health and social care and support people to remain independent.

And our place based community self-help scheme involves volunteers in a range of activities to enhance their community and keep it moving in the event of flooding or snow.

Efficiency and innovation

By changing our approach to service delivery, we are challenging ourselves to be more focused on what matters by looking through the eyes of individuals and communities at what we do and how we do it.

We will make the most of the talents, skills and energy of our staff, Councillors and residents to redesign and modernise our services.

We will learn from the best and from experience, developing new ideas and digital solutions.

And we will inject more pace into everything we do, becoming more agile in our approach and ensuring that the best value services get to the right people, at the right time, by the right organisation.

For more information on the contents of this section, please contact Nicky Allen, Senior Assistant County Treasurer on 01392 383590 or email nicola.allen@devon.gov.uk

How the 2017/18 Budget has been built up

	2016/17 Adjusted Budget	Changes	2017/18 Outturn Budget
	£'000	£'000	£'000
Adult Care Operations and Health	173,852	16,786	190,638
Adult Commissioning and Health	23,895	1,960	25,855
Adult Care and Health	**197,747**	**18,746**	**216,493**
Childrens Social Work and Child Protection	75,767	2,046	77,813
Education and Learning - General Fund	40,060	258	40,318
Education and Learning - School Funding	0	0	0
Children's Services	**115,827**	**2,304**	**118,131**
Communities and Other Services	11,201	7	11,208
Economy, Enterprise and Skills	4,923	32	4,955
Planning, Transportation and Environment	17,040	1,053	18,093
Public Health	147	800	947
Community,Health,Environment,Prosperity	**33,311**	**1,892**	**35,203**
Chief Executive, Legal and Communications	4,792	(104)	4,688
Digital Transformation and Business Support	14,241	83	14,324
Human Resources and Organisational Development	3,406	(200)	3,206
Treasurer's Services	11,027	107	11,134
Corporate Services	**33,466**	**(114)**	**33,352**
Highways and Traffic Management	31,528	(1,826)	29,702
Infrastructure Development and Waste	26,909	(205)	26,704
Highways, Infrastructure and Waste	**58,437**	**(2,031)**	**56,406**
Total	**438,788**	**20,797**	**459,585**

Reasons for changes in Revenue Budget	**Change £' 000**
Technical and Service Changes	
Inflation	10,683
Increase in Pension Contributions	4,078
National Living Wage	2,531
Children's Services demographic and demand pressures	5,425
Adult Services demographic and demand pressures	14,419
Care Act Removal of External funding	3,047
Waste Services demographic and contract pressures	1,135
Other demographic, contract and service pressures	1,708
Savings Requirements	**(22,229)**
Total	**20,797**

Staffing Data

	2016/17 Adjusted Total FTEs	Changes FTEs	2017/18 Revenue Funded FTEs	Externally Funded FTEs	Total FTEs
Adult Care Operations and Health	992	1	895	98	993
Adult Commissioning and Health	166	2	158	10	168
Adult Care and Health	**1,158**	**3**	**1,053**	**108**	**1,161**
Childrens Social Work and Child Protection	738	(4)	704	30	734
Education and Learning - General Fund	122	0	108	14	122
Education and Learning - School Funding	27	3	0	30	30
Children's Services	**887**	**(1)**	**812**	**74**	**886**
Communities and Other Services	92	(48)	20	24	44
Economy, Enterprise and Skills	137	6	59	84	143
Planning, Transportation and Environment	150	25	165	10	175
Public Health	31	0	31	0	31
Community,Health,Environment,Prosperity	**410**	**(17)**	**275**	**118**	**393**
Chief Executive, Legal and Communications	108	2	110	0	110
Digital Transformation and Business Support	472	(7)	465	0	465
Human Resources and Organisational Development	175	(3)	172	0	172
Treasurer's Services	265	2	161	106	267
Corporate Services	**1,020**	**(6)**	**908**	**106**	**1,014**
Highways and Traffic Management	253	0	253	0	253
Infrastructure Development and Waste	102	0	102	0	102
Highways, Infrastructure and Waste	**355**	**0**	**355**	**0**	**355**
Total	**3,830**	**(21)**	**3,403**	**406**	**3,809**

Explanation of Movements

Adult Care Operations and Health	
Net movement as a result of workforce reductions	(4)
Increase in corporate staff to support new duties under part 1 of the Care Act	10
Social Care Reablement removal of vacant posts	(10)
Externally funded posts to support improvement to intermediate care provision	5
	1
Adult Commissioning and Health	
Increase in staff to support market sufficiency duties under part 1 of the Care Act	6
Increase in staff to support transformation and savings programmes	3
Mental Health operational efficiencies	(2)
Transfer of posts to Learn Devon	(5)
	2
Children's Social Work and Child Protection	
Disabled Children's Services Restructure	(9)
Fostering Team Restructure	(2)
Supervised Contact Team Restructure/Movement Across Service	4
Additional Personal Advisors within Social Work	2
Atkinson Unit Additional Support Posts	2
Reducing Exploitation and Absence from Care or Home (REACH) Team Restructure	(1)
	(4)

Education and Learning	
General Fund	
Additional Special Educational Needs & Disability (SEND) Implementation support staff funded by grant	8
Review of Early Years services	(3)
Academisation of Teacher Training	(5)
Dedicated Schools Grant	
Review of Admissions services	1
Review of Early Years services	2
	3
Communities and Other Services	
Youth Service - staff transferring to an independent entity	(48)
	(48)
Economy, Enterprise and Skills	
Learn Devon - apprentices	3
Learn Devon - transfer in from Adult Care Commissioning	5
Restructure of team hours	(2)
	6
Planning Transportation & Environment	
NHS Transport staff transferred in	8
Reinstatement of School Crossing patrol staff numbers	14
Modern apprenticeships and interns	3
	25
Chief Executive, Legal & Communications	
Legal support to address capacity issues	1
Assistant Solicitor Adult Social Care	1
	2
Digital Transformation and Business Support	
Business Support - transfer in from Children's Social Work and Child Protection	4
Review of Business Support	(12)
Modern Apprenticeship	1
	(7)
Human Resources and Organisational Development	
Change Management	8
Review of HR structure	(11)
	(3)
Treasurer's Services	
Finance Management Team restructure	(2)
Devon Audit Partnership	(2)
Peninsula Pensions - new legislation	7
Reduction of hours across service	(1)
	2
Total	**(21)**

Analysis of Total Expenditure 2017/18

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Adult Care Operations and Health	251,644	(16,799)	(44,207)	0	190,638
Adult Commissioning and Health	27,769	(1,274)	(636)	(4)	25,855
Adult Care and Health	**279,413**	**(18,073)**	**(44,843)**	**(4)**	**216,493**
Childrens Social Work and Child Protection	86,810	(5,080)	(358)	(3,559)	77,813
Education and Learning - General Fund	43,358	(1,043)	(1,371)	(626)	40,318
Education and Learning - School Funding	522,982	(522,373)	(220)	(389)	0
Children's Services	**653,150**	**(528,496)**	**(1,949)**	**(4,574)**	**118,131**
Communities and Other Services	11,685	(53)	(354)	(70)	11,208
Economy, Enterprise and Skills	6,946	(100)	(1,781)	(110)	4,955
Planning, Transportation and Environment	24,354	(1,044)	(3,517)	(1,700)	18,093
Public Health	29,986	(28,979)	0	(60)	947
Community,Health,Environment,Prosperity	**72,971**	**(30,176)**	**(5,652)**	**(1,940)**	**35,203**
Chief Executive, Legal and Communications	8,036	0	(2,473)	(875)	4,688
Digital Transformation and Business Support	28,936	(8,812)	(3,715)	(2,085)	14,324
Human Resources and Organisational Development	17,054	0	(2,681)	(11,167)	3,206
Treasurer's Services	20,424	0	(6,970)	(2,320)	11,134
Corporate Services	**74,450**	**(8,812)**	**(15,839)**	**(16,447)**	**33,352**
Highways and Traffic Management	31,454	(118)	(1,281)	(353)	29,702
Infrastructure Development and Waste	31,901	0	(4,278)	(919)	26,704
Highways, Infrastructure and Waste	**63,355**	**(118)**	**(5,559)**	**(1,272)**	**56,406**
Total	**1,143,339**	**(585,675)**	**(73,842)**	**(24,237)**	**459,585**

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

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Digital Transformation and Business Support					
ScoMIS	9,699	0	(2,105)	(7,594)	0
Treasurer's Services					
Devon Audit Partnership	1,240	0	(1,240)	0	0
Childrens Social Work and Child Protection					
Atkinson Unit	3,261	(180)	(2,509)	(572)	0
Highways and Traffic Management					
On Street Parking	6,302	(104)	(6,198)	0	0
Infrastructure Development and Waste					
Ecowaste4Food Project	37	(32)	0	(5)	0
Communities and Other Services					
Active Devon	1,517	(831)	(70)	(616)	0
Syrian Refugees	500	(500)	0	0	0
Economy, Enterprise and Skills					
LAG - MIL (Making It Local 2)	58	(58)	0	0	0
LAG - REAL Devon	51	(51)	0	0	0
Learn Devon	3,781	(3,384)	(206)	(191)	0
Planning, Transportation and Environment					
AONB Blackdown Hills	213	(202)	0	(11)	0
AONB North Devon	185	(172)	0	(13)	0
Cycle Bikeability Training	280	(280)	0	0	0
Devon Maritime Forum	14	(5)	(4)	(5)	0
Exe Estuary Partnership	26	(17)	0	(9)	0
INNOVASUMP	45	(38)	0	(7)	0
Other Countryside Projects	150	(141)	0	(9)	0
South West Coast Path Team	109	(109)	0	0	0
Transport Co-Ordination Service	3,239	(1,146)	(2,075)	(18)	0
Total	**30,707**	**(7,250)**	**(14,407)**	**(9,050)**	**0**
Grand total	**1,174,046**	**(592,925)**	**(88,249)**	**(33,287)**	**459,585**

Adult Care Operations and Health

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Disability Services				
1,815	Day Opportunities	2,155	(99)	**2,056**	241
17,389	Direct Payments	21,278	(1,239)	**20,039**	2,650
28,061	Enabling/Other	32,639	(167)	**32,472**	4,411
1,458	Nursing Care	1,473	(250)	**1,223**	(235)
4,565	Personal Care	8,149	(1,517)	**6,632**	2,067
23,515	Residential Care	28,837	(3,062)	**25,775**	2,260
76,803		94,531	(6,334)	**88,197**	11,394
	In House Services				
3,212	Day Opportunities	3,207	(64)	**3,143**	(69)
4,929	Reablement and Community Enabling	5,943	(838)	**5,105**	176
3,673	Residential Care	3,438	(3)	**3,435**	(238)
11,814		12,588	(905)	**11,683**	(131)
	Older People				
1,208	Day Opportunities	1,383	(155)	**1,228**	20
6,047	Direct Payments	7,366	(1,202)	**6,164**	117
2,250	Enabling/Other	3,627	(836)	**2,791**	541
8,829	Nursing Care	17,187	(6,703)	**10,484**	1,655
21,281	Personal Care	29,062	(11,468)	**17,594**	(3,687)
26,240	Residential Care	61,658	(31,555)	**30,103**	3,863
65,855		120,283	(51,919)	**68,364**	2,509
18,731	**OP&D Care Management**	23,584	(1,848)	**21,736**	3,005
649	**Workforce Development**	658	0	**658**	9
173,852		**251,644**	**(61,006)**	**190,638**	**16,786**

Analysis of changes:	**£'000**
Technical and Service Changes	
Demographic and other growth in demand	13,462
Removal of Care Act funding	2,230
Inflation	5,721
Increase in pension contributions	975
National Living Wage	2,111
Savings strategies	
Increase in External Contributions	(2,500)
Promoting independence for people in their own home	(1,203)
Continuing transfer of personal care to the Living Well At Home contract and finding alternative solutions for those with small packages of care.	(1,000)
Supporting people with disabilities live more independently and to reduce their dependence over time	(1,464)
Service reviews to reduce in house care provision and costs while improving income	(531)
Cost savings in placements for people with disabilities	(692)
Workforce reductions	(323)
Total	**16,786**

Service Commentary

Adult Care Operations and Health is the operational care management service which offers advice, information and signposting as well as assessment, support planning and reviews for older people and younger adults with disabilities with eligible social care needs. It arranges care, largely from the independent sector, for either short-term interventions or long-term care on a personalised basis. 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 staff from the NHS.

Additionally, it provides those adult social care services we continue to deliver directly rather than commission from the independent sector. These include two residential care homes for older people with dementia, three respite centres for younger adults with learning disabilities, eleven day centres for people of all eligible adults of all ages and the delivery of short-term interventions such as social care reablement and community enabling.

Key challenges to operations include management of volume and price pressures, both of which have risen significantly in 2016/17, and delivery of the operational change required under the Promoting Independence programme.

As service users become better able to live more independent and fulfilling lives, the requirement for the current levels of commisioned services will reduce, both in terms of the numbers of packages of care, and the volume of services supplied per client.

		Number of people budgeted to receive service Average through Year		
		2016/17	**Change**	**2017/18**
Reablement (across all client groups)	Service Users	2,496	290	2,786
These are new people expected to go through the reablement process				
Disability Services				
Day Opportunities	Service Users	290	50	340
Direct Payments	Service Users	1,300	73	1,373
Enabling	Service Users	1,333	15	1,348
Nursing Care (including Respite)	Service Users	42	(8)	34
Personal Care	Service Users	523	164	687
Residential Care (including Respite)	Service Users	586	2	588
Autistic Spectrum	Service Users	76	73	149
Older People and Disability - In house				
Day Opportunities	Service Users	205	(51)	154
Community Enabling	Service Users	340	(30)	310
Residential Care (including Respite)	Service Users	46	(4)	42
Older People				
Day Opportunities	Service Users	471	(18)	453
Direct Payments	Service Users	741	(36)	705
Enabling	Service Users	135	144	279
Nursing Care (including Respite)	Service Users	499	21	520
Personal Care	Service Users	3,307	(450)	2,857
Residential Care (including Respite)	Service Users	2,022	(50)	1,972

Adult Commissioning and Health

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Adult Commissioning and Health				
6,656	Centrally Managed Contracts	7,275	(517)	**6,758**	102
937	Policy, Performance and Involvement	1,004	0	**1,004**	67
1,911	Strategic Commissioning	2,583	(160)	**2,423**	512
1,300	Transformation	1,533	(20)	**1,513**	213
10,804		12,395	(697)	**11,698**	894
13,091	**Mental Health**	15,374	(1,217)	**14,157**	1,066
23,895		**27,769**	**(1,914)**	**25,855**	**1,960**

Analysis of changes:	**£'000**
Technical and Service Changes	
Demographic and other growth in demand	957
Inflation	422
Removal of Care Act funding	817
Increase in pension contributions	241
Savings Strategies	
Management and support reductions	(174)
Promoting independence for adults with mental health needs	(303)
Total	**1,960**

Service Commentary

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

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.

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.

The commissioning team 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.

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 key challenges for Adult Commissioning and Health will be to lead the commissioning aspects of the Promoting Independence programme and its supporting strategies, whilst at the same time continuing to manage relationships with a provider market which is under pressure, and recommission services in such a way as to promote functional and efficient care markets and best value for the public purse.

Mental Health services continue a transformation programme to improve efficiency with significant savings planned for 2017/18 to come from a cessation of open access contracts and move to targeted provision of services on a more personalised basis.

Service Statistics and Other Information

		Number of people budgeted to receive service Average through Year		
		2016/17	**Change**	**2017/18**
Mental Health Services				
Day Opportunities	Service Users	8	6	14
Direct Payments	Service Users	122	(28)	94
Enabling	Service Users	613	56	669
Nursing Care (including Respite)	Service Users	6	2	8
Personal Care	Service Users	21	19	40
Residential Care (including Respite)	Service Users	151	10	161
Universal services - open access day services	Service Users	728	(728)	0

Children's Social Work and Child Protection

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Disabled Children's Services				
4,390	Children In Need Short-Break Services	4,979	(244)	**4,735**	345
4,266	Contracts	4,267	(23)	**4,244**	(22)
2,826	Social Work Area Teams	2,822	(30)	**2,792**	(34)
11,482		12,068	(297)	**11,771**	289
	Early Help (Access)				
770	Emergency Duty Team	951	(144)	**807**	37
721	Multi Agency Safeguarding Hub	741	0	**741**	20
546	Reach	526	0	**526**	(20)
2,037		2,218	(144)	**2,074**	37
	Early Help (Provision)				
1,659	Early Help Co-Ordination	4,416	(2,990)	**1,426**	(233)
893	Youth Offending - Statutory and Prevention	1,010	(130)	**880**	(13)
2,552		5,426	(3,120)	**2,306**	(246)
1,183	**Independent Reviewing Unit**	1,231	0	**1,231**	48
	Looked After Children (Operations)				
1,017	Adoption Allowances and Fees	1,181	(264)	**917**	(100)
1,920	Adoption Team	2,059	0	**2,059**	139
406	Child Arrangements and Private Kinship	394	0	**394**	(12)
524	Children In Need Support	524	0	**524**	0
3,500	Fostering Team	3,472	(7)	**3,465**	(35)
2,234	Special Guardianship Orders	2,633	0	**2,633**	399
1,071	Supervised Contact	1,100	0	**1,100**	29
10,672		11,363	(271)	**11,092**	420
	Looked After Children and Care Leaver (Placements)				
6,383	Disabled Children's Placements	5,930	(1,049)	**4,881**	(1,502)
6,573	Independent Fostering	7,497	0	**7,497**	924
1,316	Independent Post 18 Placements	1,359	(44)	**1,315**	(1)
5,703	Independent Residential Care	5,990	(1,079)	**4,911**	(792)
1,682	Independent Supported Accommodation	2,377	0	**2,377**	695
6,649	Internal Fostering	8,601	(167)	**8,434**	1,785
659	Internal Post 18 Placements	605	(37)	**568**	(91)
545	Internal Supported Accommodation	402	0	**402**	(143)
525	Secure Accommodation	561	(26)	**535**	10
0	Unaccompanied Asylum Seeking Children	2,583	(2,162)	**421**	421
30,035		35,905	(4,564)	**31,341**	1,306
13,721	**Social Work Teams**	13,855	0	**13,855**	134
4,085	**Strategic Management and Legal Costs**	4,744	(601)	**4,143**	58
75,767		**86,810**	**(8,997)**	**77,813**	**2,046**

Analysis of changes:	£'000
Technical and Service Changes	
Inflation	556
Increase in Pension Contributions	922
National Living Wage	146
Demographic and other growth in demand	
Increased numbers of Looked After Children and other changes in provision and support	3,748
Unaccompanied Asylum Seeker Children Looked After and changes to statutory provision for homeless children	623
Savings Strategies	
Targeted support for families on the edge of care delivered through Family Solutions Service and other early interventions	(417)
Improved practice and strategic commissioning including block contracts	(1,319)
Improved care proceedings for Child and Parent cases	(825)
Planned reductions in legal costs arising from improved care proceedings	(150)
Planned reductions in management costs and other reorganisation	(908)
Planned efficiencies across Social Worker Teams and Agency staffing	(330)
Total	**2,046**

Service Commentary

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

One of the main drivers of costs is the mix of placement types rather than simply the numbers of children in care. Savings strategies centre on fewer children coming into higher cost placements or spending a reduced amount of time in higher cost placements (particularly residential).

Improved targeting of children's social work and better screening by the Multi-Agency Safeguarding Hub (MASH) continues to reduce the number of assessments that do not result in any further action by the Children's Social Care service, directly contributing to lower caseloads.

Service Statistics

Children's Social Work and Child Protection		Number of people budgeted to receive service Average through Year		
	Unit of Measurement	**2016/17**	**Change**	**2017/18**
Looked After Children				
External Residential	Service Users	98	(28)	70
Internal Fostering Placements	Service Users	316	47	363
External Fostering Placements	Service Users	124	49	173
Foster to Adopt	Service Users	9	(3)	6
External Supported Lodgings/Housing	Service Users	27	18	45
Internal Residential Special School	Service Users	16	(12)	4
Medical Establishment	Service Users	6	(1)	5
Placed For Adoption	Service Users	56	(30)	26
Placed with Parents	Service Users	29	(4)	25
Secure Welfare	Service Users	2	0	2
Unaccompanied Asylum Seeking Children	Service Users	1	52	53
Total Looked After Children		**684**	88	**772**
		2016/17	**Change**	**2017/18**
Other Children's Services				
Staying Put/Care Leavers	Service Users	67	(9)	58
Children subject to a Child Protection Plan	Service Users	691	(306)	385
Children in Need - Assessments	Service Users	7,706	(1,836)	5,870
Children in Need - Placements	Service Users	3	(1)	2
Adoption Allowances	Service Users	128	(22)	106
Special Guardianship Order Allowances	Service Users	271	56	327
Residence/Child Arrangement Order Allowances	Service Users	67	(15)	52
Adoption Orders	Service Users	50	(8)	42
Shortbreak Services and Direct Payments	Service Users	1,292	(27)	1,265

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Education and Learning (General Fund)

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
8,978	**Children's Centres and Early Years Services**	8,525	(159)	**8,366**	(612)
	Infrastructure				
594	Admissions, Data and Strategic Management	719	(244)	**475**	(119)
70	Legal Disbursements	45	0	**45**	(25)
1,201	Teachers Pension - Historic Enhancements	1,201	0	**1,201**	0
1,865		1,965	(244)	**1,721**	(144)
	School Improvement Inclusion and Safeguard				
2,368	Closing The Gap	2,237	(19)	**2,218**	(150)
2,597	Inclusion	2,823	(195)	**2,628**	31
1,330	Quality Service and Provision	2,239	(965)	**1,274**	(56)
652	Safeguarding Every Learner	538	0	**538**	(114)
6,947		7,837	(1,179)	**6,658**	(289)
	School Transport				
449	Home to College	840	(528)	**312**	(137)
12,943	Home to School	13,829	(593)	**13,236**	293
8,208	Personalised Transport	9,795	(242)	**9,553**	1,345
21,600		24,464	(1,363)	**23,101**	1,501
670	**Vulnerable Groups and Virtual School**	567	(95)	**472**	(198)
40,060		**43,358**	**(3,040)**	**40,318**	**258**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation	453
Increase in Pension Contributions	129
National Living Wage	212
Demographic and other growth in demand - Transport	1,054
Savings Strategies	
Consolidation and cost reductions from various external contracts	(554)
Home to School/College transport - efficiency and personalised approach to transport	(195)
Planned additional income from changes to charging policies	(10)
Review of Early Years contracts and service	(649)
Planned reductions in management costs	(124)
Planned reductions in other costs	(58)
Total	**258**

Service Commentary

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

Service Statistics

Transport	Unit of Measurement	2016/17	Change	2017/18
School/College Transport	Pupil Numbers p.a.	14,261	19	14,280
Personalised Transport	Pupil Numbers p.a.	1,539	(9)	1,530

Education and Learning (School Funding)

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Central Provision Within Schools Budget				
306	Admissions	440	(134)	**306**	0
227	Other DSG Services	1,639	(17)	**1,622**	1,395
292	Phase Associations	304	(12)	**292**	0
900	Pupil Growth - Falling Rolls	1,500	0	**1,500**	600
937	Support Services	933	(85)	**848**	(89)
873	Termination of Employment Costs	873	0	**873**	0
3,535		5,689	(248)	**5,441**	1,906
	De-Delegated Schools Budget				
146	Facilitation and Representation	151	(8)	**143**	(3)
591	Licences and Subscriptions	535	0	**535**	(56)
1,212	Maternity	1,189	0	**1,189**	(23)
133	School Intervention Fund	130	0	**130**	(3)
1,176	Schools and DSG Contingency	1,150	0	**1,150**	(26)
1,373	Targeted Specialist Services	1,364	0	**1,364**	(9)
4,631		4,519	(8)	**4,511**	(120)
29,545	**Early Years Budget**	36,482	(353)	**36,129**	6,584
	High Needs Budget				
1,630	Alternative Provision	2,247	0	**2,247**	617
1,241	Children In Care and Exclusions	1,206	0	**1,206**	(35)
1,558	Closing The Gap	1,500	0	**1,500**	(58)
236	Early Help and Behaviour Support	118	0	**118**	(118)
292	Hospital Education Services	292	0	**292**	0
364	Inclusion	349	0	**349**	(15)
23,408	Maintained Special Schools	26,379	0	**26,379**	2,971
1,164	Nursery Plus	1,164	0	**1,164**	0
11,990	Other Special School Fees	15,015	0	**15,015**	3,025
328	Recoupment	1,200	(722)	**478**	150
164	Safeguarding Every Learner	144	0	**144**	(20)
10,867	SEN Mainstream	10,975	0	**10,975**	108
1,219	SEN Services	924	0	**924**	(295)
2,512	Support Centre Funding	1,843	0	**1,843**	(669)
56,973		63,356	(722)	**62,634**	5,661
	Schools				
10,332	Academy and Independents	10,991	0	**10,991**	659
226,163	Primary Schools	227,167	0	**227,167**	1,004
174,910	Secondary Schools	174,778	0	**174,778**	(132)
411,405		412,936	0	**412,936**	1,531
	Schools Funding				
(461,797)	Dedicated Schools Grant (DSG)	0	(477,365)	**(477,365)**	(15,568)
(4,882)	Early Years - Disadvantaged 2 Year Olds	0	(5,083)	**(5,083)**	(201)
(10,726)	Other School Grants	0	(10,578)	**(10,578)**	148
(5,188)	Post 16 Funding	0	(5,129)	**(5,129)**	59
(23,496)	Pupil Premium	0	(23,496)	**(23,496)**	0
(506,089)		0	(521,651)	**(521,651)**	(15,562)
0		**522,982**	**(522,982)**	**0**	**0**

Analysis of changes:	**£'000**
Education Service Grant Retained Duties funding	1,429
Pupil Growth - new and expanding schools	600
Changes in de-delegation - net effect of academy conversions and increased demand	(120)
Increase in Early Years Free Entitlement and pupil number changes	6,584
Additional support for vulnerable students including those at risk of exclusion	617
Additional investment for children with complex needs	6,200
Realignment of planned places in specialist Support Centres	(669)
Planned cost reductions and redirection to children with complex needs	(541)
Net changes to mainstream school budgets arising mainly from demographic changes and transfer to High Needs block	1,531
Other minor changes	(69)
Increase in Dedicated Schools Grant and other grants arising from demographic changes, inclusion of Education Services Grant funding and increase in Early Years provision	(15,562)
Total	**0**

Service Commentary

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

Number of local authority maintained schools and academies	Number of organisations	Number of Schools
Local Authority Maintained Schools		**250**
Federations	40	104
Management Partnerships	7	20
% of schools actively collaborating		0
Free Schools		**7**
Academies		**109**
Number of schools in multi-academy trusts/collaborations		93
% of academies in multi academy trusts / collaborations		85%
Total all schools and academies		**366**

Number of pupils in LA maintained schools	**Unit of Measurement**	**Oct-2015**	**Change**	**Oct-2016**
Nursery Schools	Hours being funded converted to fte	147	10	157
Maintained Nurseries within Primary Schools	Hours being funded converted to fte	1,603	(38)	1,565
		1,750	**(28)**	**1,722**
Primary Schools	Numbers on Roll	42,444	(2,653)	39,791
Secondary Schools	Numbers on Roll	14,398	(1,958)	12,440
		56,842	**(4,611)**	**52,231**
Number of pupils in academy schools				
Primary Schools	Numbers on Roll	11,339	3,548	14,887
Secondary Schools	Numbers on Roll	19,346	2,102	21,448
		30,685	**5,650**	**36,335**
Number of pupils in Free schools				
Primary Schools	Numbers on Roll	221	142	363
Secondary Schools	Numbers on Roll	287	121	408
		508	**263**	**771**
Total number of pupils in LA maintained schools, academies and free schools		1,750	(28)	1,722
Nursery Schools	Pupil Numbers FTE	54,004	1,037	55,041
Primary Schools (including free schools)	Numbers on Roll	34,031	265	34,296
Secondary Schools (including free schools)	Numbers on Roll	**89,785**	**1,274**	**91,059**
Percentage of pupils in academy schools				
Primary Schools	Numbers on Roll	21.2%	5.9%	27.1%
Secondary Schools	Numbers on Roll	56.9%	5.6%	62.5%

Early Years Education Provision		**2016/17**	**Change**	**2017/18**
Early Years Independent Provision	Pupil Numbers FTE	8,203	206	8,409
Early Years Entitlement Take up	Percentage of eligible childre	98.0%	2.0%	100.0%
3 + 4 Year old additional 15 hours	Pupil Numbers FTE	0	2,273	2,273
Disadvantaged two year olds	Pupil Numbers FTE	1,564	579	2,143

Young People with Additional Needs		**2016/17**	**Change**	**2017/18**
Statemented Pupil (Statutory)	Number of young people with a statutory statement	1,492	18	1,510
Pupils with a 'My Plan' (non statutory)	No of young people with a 'My Plan'	650	324	974
Independent Special Schools (pre 16)	Pupil Numbers	141	24	165
SEN referral placements	Number of Planned Places	0	15	15
Maintained Special Schools Pre 16	Number of Planned Places	888	63	951
Maintained Special Schools Post 16	Number of Planned Places	100	0	100
Post 16 placements for young people with learning difficulties and disabilities (excl maintained spec schools)	Number of Planned Places	475	(19)	456
Devon Personalised Learning Service	Number of Planned Places	250	10	260

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Communities and Other Services

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Commissioning Services For Communities				
676	Heritage Centre and Devon Records Office	710	(10)	**700**	24
5,924	Library and Information Service	6,457	(290)	**6,167**	243
1,695	Youth Services	1,793	(33)	**1,760**	65
8,295		8,960	(333)	**8,627**	332
	Planning and Insight				
0	County Wide Research, Performance Review	(333)	0	**(333)**	(333)
149	Emergency Planning	191	(40)	**151**	2
198	Research, Intelligence and Performance	202	0	**202**	4
347		60	(40)	**20**	(327)
	Safer and Stronger Communities				
845	Commissioning / Grants	806	0	**806**	(39)
494	Community	639	(104)	**535**	41
1,220	Locality / Town and Parish	1,220	0	**1,220**	0
2,559		2,665	(104)	**2,561**	2
11,201		**11,685**	**(477)**	**11,208**	**7**

Analysis of Changes:	**£'000**
Technical and Service changes	
Inflation	224
Increase in Pension contributions	116
Savings Strategies	
County-wide information management and change resources review	(333)
Total	**7**

Service Commentary

The Communities portfolio links commissioning, services and support to help people and organisations in communities to be better connected, resilient and safe. Given pressures on public services there remains a clear priority for the organisation to realise and connect personal and community assets. This links with the team's commissioning of library and information services, a Devonwide youth service, community safety work, promoting cultural and heritage activities, promoting physical activity and sport and determining a sustainable offer to Communities, from the Council. Other Services covers Countywide activities.

The corporate transformation agenda will highlight areas of change. A saving of £333,000 is shown under the Research, Intelligence and Performance service. However in reality this is a corporate target across the County relating to a review of countywide information management and change resources.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Libraries				
Libraries	No.	50	0	50
Mobile Libraries	No.	4	0	4
PCs Available with public access	No.	502	0	502

Economy, Enterprise and Skills

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Business Support and Innovation				
0	Business Growth Support	358	(4)	**354**	354
1,810	Trading Standards	3,285	(1,367)	**1,918**	108
1,810		3,643	(1,371)	**2,272**	462
	Economic Infrastructure and Development				
1,321	Economic Development	1,041	(275)	**766**	(555)
(11)	Industrial Estates	125	(136)	**(11)**	0
1,310		1,166	(411)	**755**	(555)
	Employment and Skills				
42	Labour Market Development	376	(209)	**167**	125
1,761	Post 16 Provision	1,761	0	**1,761**	0
1,803		2,137	(209)	**1,928**	125
4,923		**6,946**	**(1,991)**	**4,955**	**32**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation	24
Increase in Pension contributions	117
BDUK Project - Phase 1	(31)
Savings Strategies	
Reduction in activity based business support and infrastructure development	(10)
Income generation from contracts	(68)
Total	**32**

Service Commentary

This service leads the County Council's role in supporting and delivering economic growth, prosperity and protection for Devon's residents and businesses. It provides a strategic overview of the Devon economy and collaborates with a wide range of partners to support the achievement of growth and employment and in safe-guarding public and consumer interests.

Working with partners, including the Local Enterprise Partnership, the key priorities for the service are:

- Improving skills attainment and supporting people into work, particularly the most disadvantaged,

- Supporting the personal, social, health and economic development of individuals and communities,

- Stimulating innovation and business support,

- 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 energy, Agri-tech 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.

Income generation is being continuously explored in order to reduce the impact on this service of the savings required. This will include new externally funded projects, collaborative working and using specialisms to deliver other savings.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Trading Standards				
Business premises on Trading Standards database	No.	65,782	1,722	67,504
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	20,000	(4,200)	15,800
Learn Devon				
Learn Devon - Learner Recruitment	No.	10,000	(1,500)	8,500

Planning, Transportation and Environment

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Environment Service				
468	Environment Policy	560	(59)	**501**	33
940	Flood Risk and Surface Water Management	950	0	**950**	10
418	Projects and Partnerships	458	(45)	**413**	(5)
1,826		1,968	(104)	**1,864**	38
	Planning and Transportation				
532	Development Management	1,379	(744)	**635**	103
2,513	Planning and Transportation	3,072	(287)	**2,785**	272
3,045		4,451	(1,031)	**3,420**	375
	Public and Community Transport				
9,084	National Concessionary Travel Scheme	9,285	(20)	**9,265**	181
0	NHS Patient Transport Advice Service	2,420	(2,400)	**20**	20
3,047	Public Transport Support	4,335	(1,012)	**3,323**	276
38	Transport Co-Ordination Service	1,895	(1,694)	**201**	163
12,169		17,935	(5,126)	**12,809**	640
17,040		**24,354**	**(6,261)**	**18,093**	**1,053**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation	298
Increase in Pension contributions	179
National Living Wage	32
Funding for bus services previously paid under S106	280
Cyclical renewal of National Travel scheme bus passes	100
Reprocurement of Fleet arrangements	75
Reinstatement of School Crossing Patrol budget	254
Savings Strategies	
Transport efficiency savings	(159)
Restructured community transport awards	(6)
Total	**1,053**

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.

Reductions for this year mainly relate to contract efficiencies where collaboration and tight contract management provide opportunities to make savings.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Planning, Transportation & Environment				
County Matter applications	No.	60	0	60
County Council development applications	No.	40	0	40
Listed building consent applications	No.	5	0	5
Strategic Planning consultations	No.	40	0	40
Pre Application advice	No.	125	0	125
Discharge of Planning Condition Applications	No.	40	0	40
Non Material Amendments to planning applications	No.	20	0	20
Formal monitoring visits for Minerals and Waste sites	No.	80	0	80
Planning application consultations (externally driven by the economy)	No.	12,500	0	12,500
Verified historic monument records on Heritage Gateway website	No.	73,943	7,057	81,000
Specialist historic environment responses to all enquiries, including responses for development	No.	1,050	0	1,050
Specialist ecology, landscape and greenhouse gas responses provided to planning case officers for development management activity	No.	155	0	155
Sustainable drainage consultations for major development	No.	918	32	950
Land drainage consents	No.	33	2	35
Number of Local Plans which have successfully progressed through the examination stage	No.	10	(7)	3
East Devon Traffic Screenline - Average daily no. of vehicles crossing (predicted)	No.	114000	0	114,000
Public Transport				
Local bus services contracts	No.	122	8	130
Bus passenger journeys started in Devon	No.	26.5 million	(0.25) million	26.25 million
Train trips within Devon and to/from neighbours	No.	4.6 million	0.15 million	4.75 million
Ring and Ride community transport schemes	No. of schemes	16	0	16
Shop mobility schemes	No. of schemes	8	0	8
Community buses	No.	9	0	9
Fare car supported taxi schemes	No. of schemes	6	1	7

Public Health

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Public Health				
2,989	Children 5-19 Public Health Programmes	2,973	0	**2,973**	(16)
895	Community Safety, Violence Prevention and Social Exclusion	1,000	0	**1,000**	105
40	Health At Work	40	0	**40**	0
101	Health Protection	96	0	**96**	(5)
8,989	Mandated 0-5 Children's Services	9,101	0	**9,101**	112
90	National Child Measurement Programme	96	0	**96**	6
90	NHS Health Check Programme	349	0	**349**	259
421	Obesity	268	0	**268**	(153)
580	Other Public Health	440	0	**440**	(140)
213	Physical Activity	268	0	**268**	55
338	Public Health Advice to NHS Commissioners	365	0	**365**	27
(28,952)	Public Health Income	0	(28,238)	**(28,238)**	714
639	Public Mental Health	772	(151)	**621**	(18)
5,933	Sexual Health	5,987	0	**5,987**	54
650	Smoking and Tobacco	1,133	(650)	**483**	(167)
6,038	Substance Misuse	5,995	0	**5,995**	(43)
1,093	Support Services	1,103	0	**1,103**	10
147		**29,986**	**(29,039)**	**947**	**800**

Analysis of changes:	**£'000**
Technical and Service Changes	
Community Safety, Violence prevention and social exclusion- staffing reallocation	105
Mandated 0-5 children's services - staffing reallocation	112
NHS Health Check programme - universal programme recommences	259
Obesity - savings through re-procurement of lifestyle services	(153)
Other Public Health - food for life partnership and health at work savings	(140)
Physical activity - one small step programme commenced	55
Public Health Income - reduction in Department of Health grant	714
Sexual Health - service demand growth	54
Smoking and Tobacco - savings through re-procurement	(167)
Other minor changes	(39)
Total	800

Service Commentary

Public Health is funded by a ring-fenced grant from the Department of Health which has reduced by £714,000 or 2.5% for 2017/18. Future grant allocations have been confirmed as being reduced by 2.6% for 2018/19 and 2019/20 and a programme of procurement for all service areas is in place to enable the services to be delivered within the funding available.

The Integrated Children's Service contract, which terminates in March 2018, continues to deliver the 0-19 services for Public Health, with an overall commitment to this from the Public Health Grant of £11.8millions.

The universal NHS Healthchecks programme is being re-introduced during 2017/18. Service demand for Sexual Health and Substance Misuse services continue to grow, but costs are being managed through strong contract management and negotiation. The introduction of the new healthy lifestyle service, OneSmallStep, has contributed to savings.

The reduction in the grant has led to a budget shortfall of £800,000 in 2017/18. This shortfall is for one year only as in future years changes will be made to contracted services to bring the budget back in to balance. This one off shortfall has therefore been funded from corporate resources.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Referrals to substance misuse service	Individuals	3,687	0	3,687
New structured treatments starts in substance misuse service	Individuals	1,532	0	1,532
Genito-urinary medicine patients treated	Individuals	28,988	1,449	30,437
Contraception services accessed	Individuals	30,780	1,539	32,319

Chief Executive, Legal and Communications

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
1,352	**Coroners Service**	1,400	(2)	**1,398**	46
1,056	**Legal Services**	2,097	(1,046)	**1,051**	(5)
836	**Media, Marketing and Communications**	1,202	(317)	**885**	49
	Other Services				
212	Corporate Management	288	(64)	**224**	12
1,740	Cost of Democracy	1,583	(79)	**1,504**	(236)
130	Local Authority Subscriptions	130	0	**130**	0
2,082		2,001	(143)	**1,858**	(224)
(534)	**Registration Service**	1,336	(1,840)	**(504)**	30
4,792		**8,036**	**(3,348)**	**4,688**	**(104)**

Analysis of changes:	**Change £'000**
Technical and Service Changes	
Inflationary increases	155
Increase to Pension contributions	165
Transfer re additional business support (see Digital Transformation and Business Support)	(3)
Savings requirements	
Increased income from Academies	(100)
Savings in cost of Democracy	(321)
Total Chief Executive, Legal and Communications	**(104)**

Service Commentary

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

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

Service Statistics and Other Information

	Unit of Measurement	2014/15 actual	Change	2015/16 actual
Coroners Service				
Caseload	No.	2,849	(88)	2,761
Total inquests opened	No.	301	(20)	281
Natural deaths reported with a Post Mortem	No.	529	6	535
Registration Service				
Certificates issued	No.	62,673	1,212	63,885

Digital Transformation & Business Support

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Business Infrastructure				
5,082	Business Services and Support	5,462	(370)	**5,092**	10
986	Customer Relations	1,122	(162)	**960**	(26)
2,606	Facilities Management	4,771	(2,104)	**2,667**	61
(7,288)	Private Finance Initiatives	1,492	(8,812)	**(7,320)**	(32)
1,386		12,847	(11,448)	**1,399**	13
	Estates				
2,272	Building Maintenance	2,124	(13)	**2,111**	(161)
1,090	Estates Corporate	1,389	(406)	**983**	(107)
(362)	Farms	710	(1,092)	**(382)**	(20)
3,000		4,223	(1,511)	**2,712**	(288)
	ICT				
1,385	Customer Service Centre	1,396	(11)	**1,385**	0
7,210	ICT	8,858	(1,201)	**7,657**	447
8,595		10,254	(1,212)	**9,042**	447
1,260	**Procurement**	1,612	(441)	**1,171**	(89)
14,241		**28,936**	**(14,612)**	**14,324**	**83**

Analysis of changes:	**Change £'000**
Technical and Service Changes	
Inflationary increases	583
Increase to Pension contributions	506
National living wage (Facilities Management)	30
Rental of corporate premises	70
Combating Ash Dieback in Devon's trees	60
Transfer re additional business support to legal services (Chief Executive, Legal and Comms)	3
Savings requirements	
Staffing reductions and turnover savings	(635)
Corporate Maintenance savings	(164)
Increased income from joint ventures	(100)
Property rationalisation initiatives	(75)
Contractual savings (PFI)	(35)
ScoMIS - increased growth from educational marketplace	(50)
Energy efficiency savings	(50)
County Farms - rental reviews (net savings)	(20)
Facilities Management savings	(40)
Total	**83**

Service Commentary

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

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

In terms of pressures, the 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 whilst concurrently planning and delivering the required budget savings for these services.

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

Service Statistics and Other Information

	Unit of Measurement	2016/17	Change	2017/18
Property				
DCC owned operational properties (including schools)	No.	598	(42)	556
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	779	(81)	698
High priority backlog of maintenance works	£m	49	(5)	44
County Farms Estate				
No of Farms	No.	69	0	69
Total acreage	Acres	9624	(34)	9,590
IT Infrastructure				
Managed Desktops	No.	7,254	(123)	7,131
Networked Sites	No.	278	(20)	258
User accounts (DCC IT systems)	No.	6,062	(236)	5,826

Human Resources and Organisational Development

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
2,680	**Human Resources**	16,414	(13,793)	**2,621**	(59)
726	**Organisational Development**	685	(100)	**585**	(141)
3,406		**17,099**	**(13,893)**	**3,206**	**(200)**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflationary increases	94
Increase to Pension contributions	217
Savings requirements	
Staffing reductions	(309)
County wide information management and change resources review	(167)
Contractual savings	(35)
Total	**(200)**

Service Commentary

Organisational Development plays a critical role in transforming the way services are delivered, both within the Council and with partners. It helps to shape the Council's approach, operation and structure by bringing together our corporate policy, HR and organisational change functions in a focussed and coherent way to ensure the Council responds effectively to the pressures, policy and legislative developments it faces.

Those pressures and the drive to transform and change are particularly 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 significant demands for support, particularly HR support, from front-line services that are themselves undergoing significant organisational change.

Treasurer's Services

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Other Services				
152	Bank Charges	152	0	**152**	0
106	External Audit	106	0	**106**	0
5,148	Unfunded Pensions	8,191	(3,265)	**4,926**	(222)
5,406		8,449	(3,265)	**5,184**	(222)
	Treasurer's Services				
3,060	Accountancy Services	3,786	(938)	**2,848**	(212)
221	Corporate Management and Commissioning	1,248	(840)	**408**	187
1,088	Financial Systems, Processes and Compliance	5,269	(4,014)	**1,255**	167
1,252	Strategic Financial Planning	1,672	(233)	**1,439**	187
5,621		11,975	(6,025)	**5,950**	329
11,027		**20,424**	**(9,290)**	**11,134**	**107**

TREASURER'S SERVICES	**Change**
Analysis of changes:	**£'000**
Technical and Service Changes	
Inflationary increases	168
Increase to Pension contributions	235
Savings requirements	
Reduced staffing	(296)
Total	**107**

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 austerity at a time when there are increasing demands for financial support and advice from front-line services when Treasurer's Services are undergoing significant organisational change.

Service Statistics and Other Information

	Unit of Measurement	2016/17 estimates	Change	2017/18 estimates
Debtors raised p.a.	No.	82,000	4,000	86,000
Invoices paid p.a.	No.	427,000	11,000	438,000
Proportion paid using BACS	Percentage	98	1	99

Infrastructure Development and Waste Management

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Engineering, Design and Built Environments Team				
196	Compliance Surveys - School Buildings	196	0	**196**	0
(438)	Engineering and Design Group	483	(904)	**(421)**	17
83	Schools Estates Work	83	0	**83**	0
(159)		762	(904)	**(142)**	17
	Waste Disposal and Recycling				
10,913	Disposal of Statutory Waste	14,051	(3,998)	**10,053**	(860)
5,613	Landfill Tax on Disposal	5,533	0	**5,533**	(80)
323	Other Site Related Costs	330	(7)	**323**	0
5,067	Recycling Centres	5,769	(3)	**5,766**	699
4,280	Recycling Credits	4,258	0	**4,258**	(22)
673	Waste Management	749	(15)	**734**	61
199	Waste Minimisation Activities	449	(270)	**179**	(20)
27,068		31,139	(4,293)	**26,846**	(222)
26,909		**31,901**	**(5,197)**	**26,704**	**(205)**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation	618
Increase in Pension contributions	22
Waste tonnage growth	113
Landfill tax tonnage growth	56
Price changes for Energy from Waste plants	116
Increase in IVC tonnage cost	100
Change in market conditions for recycling contracts	750
Savings Strategies	
Contract efficiency savings	(1,510)
Operational efficiencies on the Plymouth Energy from Waste plant	(250)
Reduced recycling credit budget	(150)
Generating income from advertising	(20)
Reduced treatment and disposal costs through collaboration	(50)
Total	**(205)**

Service Commentary

Infrastructure Development (Engineering Design Group & Built Environments)

The purpose of the service 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.

Waste Management

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

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

A number of waste processing contracts have been re-procured recently, with start dates of 1st April 2017, and are expected to deliver a net saving. Anticipated waste tonnage growth and other demographic pressures have reduced the overall net saving to £0.2 millions.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Municipal waste disposal to landfill	Tonnes	64,500	800	65,300
Municipal waste recycled (excl. soil & rubble)	Tonnes	214,000	0	214,000
Municipal waste recovered	Tonnes	14,000	0	14,000
Exeter Energy from Waste	Tonnes	60,000	0	60,000
Plymouth Energy from Waste	Tonnes (approx)	53,027	960	53,987
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

Highways and Traffic Management

2016/17 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2017/18 Outturn Budget £'000**	2017/18 Net Changes £'000
	Highway Maintenance				
4,237	Cyclic Maintenance	4,199	(32)	**4,167**	(70)
4,446	Highway Lighting	3,888	(30)	**3,858**	(588)
625	Maintenance of Public Rights of Way	653	(26)	**627**	2
23	Other Highway Services	159	(133)	**26**	3
734	Retaining Walls and Bridges	483	(8)	**475**	(259)
2,972	Routine Maintenance	1,857	(30)	**1,827**	(1,145)
6,365	Safety Reaction	6,263	(63)	**6,200**	(165)
6,596	Winter and Emergencies	6,284	(60)	**6,224**	(372)
25,998		23,786	(382)	**23,404**	(2,594)
	Highway Network Management				
5,527	Highway Network Management	7,451	(1,157)	**6,294**	767
3	Management and Support	217	(213)	**4**	1
5,530		7,668	(1,370)	**6,298**	768
31,528		**31,454**	**(1,752)**	**29,702**	**(1,826)**

Analysis of Changes:	**£'000**
Technical and Service changes	
Inflation	1,367
Increase in Pension contributions	254
Impact of Ash die back on Highways trees	100
Savings Strategies	
Income generation from sponsorship and advertising	(150)
Reduced street lighting energy and usage	(967)
Highways maintenance procurement savings	(980)
Focus on preventative maintenance for bridges and structures	(250)
Reduced emergency works based on 3 year average	(200)
Redirection of costs to alternative funding streams	(1,000)
Total	**(1,826)**

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.

The service continues to face cost pressures. The procurement of a new term maintenance contract is expected to generate significant savings for the service from 1st April 2017. This, with the redirection of some expenditure to alternative funding sources, has allowed an overall budget reduction of £1.8 millions.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2016/17 Adjusted Estimate	Change	2017/18 Estimate
Size of Network	Km	12,915	0	12,915
Bridges	No.	3,291	0	3,291
Structural retaining walls (>1.35m height)	No.	1,564	0	1,564
Structural retaining walls (>1.35m height)	Km	113	0	113
Street lights total	No.	77,752	48	77,800
Street lights to have been converted to part night lighting	No.	50,000	95	50,095
Rights of way	Km	5,000	0	5,000
Strategic road salted after route optimisation	Km	2,471	0	2,471
Illuminated road markings and signs	No.	10,524	0	10,524
Gullies emptied	No.	130,000	0	130,000
Total grass area cut	m^2	1 million	0	1 million
Surface dressed	Km	854	(30)	824
Resurfacing / reconstruction	Km	25	9	34

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Medium Term Financial Strategy 2017/18 – 2020/21

Introduction

The new Government of 2015 introduced a revised funding methodology for Local Government that moved away from an attempt to assess need and instead focused on a Councils ability to raise income. New grants, additional council tax raising powers, capital receipts flexibilities, an Improved Better Care Fund along with 100% business rate retention, a review of Need and changes to the New Homes Bonus were also announced.

When the Medium Term Financial Strategy (MTFS) for 2016/17 was set there was little information on many of these changes and unfortunately twelve months on that is still the case. This new MTFS contains as much information as we have at this time but may need updating if more information becomes available from Central Government that has a significant impact on the Authority.

Key Changes and their impact

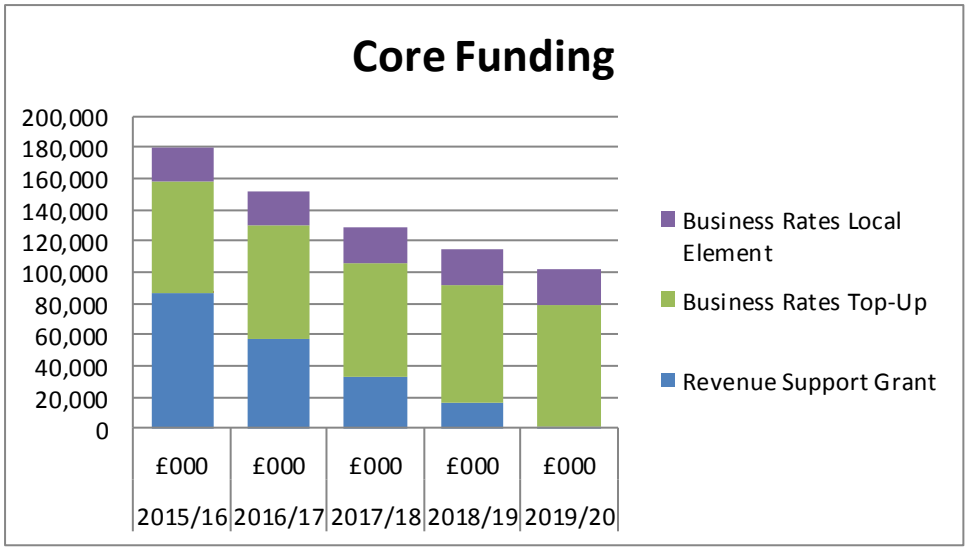
Core Funding

The Council's core funding consists of:

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

In February 2016 the Government announced the Core Funding that the authority would receive in 2016/17 and provided indicative figures for 2017/18 to 2019/20. It also made an offer to Local Authorities; the Government would honour this four year settlement if the Authority produced an Efficiency Statement and submitted it to Government for approval. The County Council took up this offer, not because it thought it was a good settlement, far from it, but because it gave a measure of certainty. With the change of Chancellor following the 'Brexit' result of the referendum it was uncertain that the Government would honour this pledge but for 2017/18 at least, it has done.

The graph and table below show the anticipated level of funding the Council will receive over the medium term:



	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Core Funding	152,025	128,307	115,240	103,003

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

The Government has not announced Core Funding figures for 2020/21; the figures within Key Table 6 on page 18 are estimates but do not take account of changes as a result of the Needs review or the move to 100% Business Rates Retention.

Rural Services Delivery Grant

The authority has directly, and through the Rural Services Network, long campaigned for fairer funding for rural authorities like Devon. The Government has introduced a new grant, the Rural Services Delivery Grant that will be paid to the top quartile of super-sparse areas of which Devon is one. The grant is un-ringfenced and goes some way in recognising the additional cost of delivering services in rural areas. The table below shows the size of the overall pot and the sum the authority will receive. The grant is very welcome and will help to offset some of the reduction in Core funding outlined above. The grant in 2016/17 increased from £1.8 millions in the provisional settlement (December) to £7.4 millions in the final settlement announced on 8 February and from £3.2millions to £6.0 millions in 2017/18. The Government has not announced the level of grant for 2020/21.

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

Transitional Grant

In response to representations from local government about the unexpected scale of reductions in funding (particularly for rural areas) the Government announced on 8

February 2016 that there would be transitional funding. For Devon this amounts to an additional £2.8 millions for both 2016/17 and 2017/18.

Adult Social Care Precept

New powers were introduced in 2016/17 that allow authorities with Adult Social Care responsibilities to increase Council Tax by 2% each year between 2016/17 and 2019/20 in addition to the 2% increase permitted before a referendum is required. The Government has recently announced a change to this power. Social Care Authorities are now able to increase Council Tax by 3% in each of 2017/18 and 2018/19 in addition to the 2% referendum limit. However, the increase over the three year period of 2017/18 to 2019/20 must not exceed the original power of 6% over this term. The sums raised must be ringfenced for Adult Social Care with a certification required by the County Treasurer confirming that this requirement has been complied with.

The changes to the New Homes Bonus Scheme, outlined below, have allowed the government to remove £241 millions from the 2017/18 scheme. This saving has been used to create the new Adult Social Care Support Grant. This funding is being distributed based on the relative needs formula and is for 2017/18 only. The County Council will receive £3.592 millions.

As the Adult Social Care Support Grant is for 2017/18 only and the increased freedoms relating to the Social Care Precept being a matter of timing only there is no change to funding levels from these two changes in 2019/20.

Improved Better Care Fund

The Government has announced an additional £1.5 billions by 2019/20 to fund an Improved Better Care Fund. The sum will be distributed to authorities with Social Care responsibilities based on a formula that takes into account need and Council Tax raising ability. It is likely that this new funding will bring with it new responsibilities but further detail is still not available. The table below sets out the total funding for England and the indicative allocation for Devon that have been announced so far; no figures for 2020/21 have yet been announced but the table in Key Table 6 on page 18 assumes the same level of funding as in 2019/20.

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

100% Business Rates Retention

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

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

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

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

Capital Receipts Flexibilities

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

New Homes Bonus

The Government has announced significant changes to the New Homes Bonus Scheme. The number of years the scheme will be based upon, currently six years, will reduce to five years in 2017/18 and four years from 2018/19 onwards. The scheme will now also only reward growth in homes above 0.4% per annum, currently all growth is rewarded. These changes have reduced the County Council's expected New Homes Bonus allocation for 2017/18 by £709,000. The majority of New Homes Bonus, 80%, is retained by the District Councils and the impact of this change is therefore felt more keenly by them. The Devon Districts have between them seen their funding reduced by £2.95 millions in 2017/18.

Schools and the Education Authority

The government started a process in 2012 to reform the school funding system and in 2016 they commenced the next stage to introduce fair funding across schools and high needs which is essential to support opportunity for all children, irrespective of their background, ability, need or where in the country they live. The national funding formula is planned to be introduced in 2018/19 and proposes to help schools to manage cost pressures by directing resources where they are most needed in order to create greater certainty and transparency in the funding system so that schools can plan ahead with confidence.

As a low funded authority we have been hopeful that this would mean more money for Devon children, but current proposals suggest any benefit to Devon schools will be less than 0.5%. The authority is currently lobbying the government, with support of schools and MPs, to state our concerns on the funding levels proposed for the authority. The outcome of the phase 2 consultation process is expected in summer 2017.

For the 2017/18 financial year significant spending pressures within High Needs has had to be addressed. An additional £3.6 millions identified within the DSG settlement, along with a transfer of £2.2 millions from the Schools Block, has been required for the Authority to meet both the increased underlying budget shortfall within the High Needs Block and to also repay the deficit likely to have been carried forward for this service from 2016/17. The £2.2 millions transferred from the School Block equate to a £33 reduction per pupil. The movement of funds between the blocks within the DSG is likely to be much harder under the new formula which reduces the flexibility to address funding pressures across the range of services funded via this grant.

In the 2015 spending review it was announced that the Education Services Grant General Funding Rate would be phased out by 2019/20. This has been brought forward and will now be removed from 1 September 2017. For 2017/18 funding previously allocated via this route for Retained Duties will be included with the DSG Schools Block. For Devon this equates to £1.46 millions (£16.33 per pupil). It is anticipated that this element will be centralised within the DSG for the local authority to fund their responsibilities for the retained duties. The overall impact has been a reduction of £2.8 millions in 2017/18.

The Early Years national funding formula was announced on 1 December 2016. The new formula allocates funding to local authorities for the existing 15 hour entitlement for 3

and 4 year olds along with the new entitlement of an additional 15 hours for 3 and 4 year olds which commences on 1st September 2017. The part year effect for 2017/18 has seen an increase in funding of £5.6 millions.

Other Grants

For 2016/17 onwards the Lead Local Flood Authorities grant has been rolled into core funding. For 2015/16 this grant was £227,000. The Government stated that this funding will be supplemented by a new Section 31 grant to ensure that the funding for lead local flood authorities increases in real terms in each year of the Parliament. This 'top-up' grant has been announced for 2017/18 and the Authority's share is £84,000.

The Public Health grant remains ring fenced for 2017/18. A letter from Public Health England dated 27th November 2015 described future grant allocations as being reduced by a further 2.6% each year for the years 2018/19 and 2019/20 with a flat cash allocation in 2020/21

Other Key Issues

Pensions Triennial Valuation

The costs of employer contributions to the Devon Pension Fund are set every three years by a triennial actuarial valuation of the Fund. An actuarial valuation of the fund as at 31 March 2016 has been carried out over the last year, and has set the contribution rates for 2017/18, 2018/19 and 2019/20. Contribution rates for 2017/18 have increased by around 1.2% of pensionable pay. The increase has resulted from a number of factors, including both the actual experience of the three years since the last valuation and the actuary's assumptions for the future. These factors include investment returns, the level of pension increases, pay inflation, and the life expectancy of the Fund's current and future pensioners.

Investment returns have been below the expected level, which has had a negative impact on the funding level. However, the level of pay and pension increases have both been below the level assumed in 2013, and the value of pension cessations has been higher than anticipated, which will have reduced the Fund's liabilities. Looking forward, The actuary has revised his assumptions on future levels of inflation and life expectancy and adopted a more prudent discount rate in assessing future investment returns. The Actuary has also reduced the recovery period from 25 years to 22 years. While this has resulted in an increase, the Devon Fund's contribution rates remain in the bottom quartile of LGPS funds.

Fairer Funding

The Rural Services Network research shows that in 2015/16 predominantly urban areas on average received funding of £419.72 per head of population whilst their rural counterparts received only £288.83; a difference of £130.89. This gap will widen further. Devon's reduction in core funding over the four year period 2016/17 to 2019/20 is 11.4% greater than the average for England. By 2019/20 Devon is expected to receive £20 millions less in core funding than if the reductions had been applied equally across urban and rural areas.

The Government has allocated revenue support grant on the basis that a greater proportion of Devon's core spending power will be met by council tax payers. The following table shows how Devon is being expected to rely increasingly on council tax, far more than the average. The Rural Services Network has provided the comparison

between predominantly rural authorities (including Devon and district councils) and urban authorities.

Percentage of Core Spending Power to be funded through council tax issued by the Department for Communities and Local Government, December 2016

	2015/16	2016/17	2017/18	2018/19	2019/20
Devon	63%	67%	71%	74%	75%
Shire County Average	63%	67%	71%	74%	76%
Predominantly rural (includes districts)	58%	62%	66%	70%	71%
Predominantly urban	45%	49%	53%	56%	57%
All Authorities Average	50%	53%	57%	60%	62%

As outlined above the Government has recognised this inequality and introduced additional funding for sparsely populated areas. For 2017/18 Devon County Council will receive an additional £7.68 per head of population (£9.66 in 2016/17), which although welcome is not sufficient to address fully the inequality of the disproportionate reductions for rural areas.

In 2016/17 the Government responded to representations from local government to provide transitional funding to help offset the significant reductions in funding. For Devon this amounts to an annual £2.8 millions but after 2017/18 this transition grant ends, creating another cost pressure on future budgets.

The Education Funding Agency has published information for local authorities and schools on revenue funding in 2017 to 2018. The Department for Education has moved grants into DSG for 2017-18. This includes post-16 funding (included in the High Needs block) and what was Education Services Grant (included in the Schools Block).

Although this has slightly increased the funding for Devon's schools we still receive below average funding. If Devon's schools were funded at the average level we would receive an additional £24 millions per annum. For 2017/18, the grant per pupil received by Devon will be £4,349, compared to £4,618 nationally.

Consequently, the Society of County Treasurers has concluded that all shire counties have been funded below the national average on a per pupil basis and the increase from this baseline was more for non shire areas than in shire areas. In effect the gap between rural and urban authorities has widened.

In 2017/18, Devon’s public health grant is £36 per head of population compared to a national average of £59. This is the 9th lowest funding per head of population of 152 local authorities, with £31 being the lowest and £135 being one of the highest (Blackpool). Had Devon been funded at the national average then it would have received an additional £18 millions.

Challenges ahead - Devon Responds

Savings & Efficiencies Required

Over the six years since the spending review in 2010 the authority has made savings in its service budgets of just over £208 millions. The package of measures now being introduced by the Government will require more savings to be made albeit at a reducing annual amount through the medium term. The table below sets out the savings that will

be required each year based on the indicative funding levels announced by the Government. These figures do not take account of the proposed changes to the retention of Business Rates as there is insufficient information to allow any meaningful modelling to be undertaken.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Savings Required	22,229	37,050	18,284	9,103
Savings identified	22,229	14,244	7,259	2,291
Savings to be found	0	22,806	11,025	6,812

The savings identified in 2017/18 is net of a transfer from the Budget Management Reserve of £11.6 millions. This sum was set aside for this purpose in 2015/16 from the changes to the MRP Policy outlined in last year's MTFS.

Key Table 6 on page 18 sets out the Budget for 2017/18 and the projections to 2020/21. As the Government has made no announcement of funding for 2020/21 the figures included are estimates only. Key Table 4 on page 15 sets out the anticipated specific grants from 2017/18 to 2020/21.

Council Tax

The Tax Base for 2017/18 has increased by 1.74% mainly due to increases in new homes being built. This increase to the tax base not only benefits the current year but secures Council tax revenue for the future. The other element of Council Tax, in addition to the Council tax precept itself, is the surplus or deficit achieved by the Devon District Councils on their Collection Funds. The overall surplus for 2017/18 is £6.2 millions compared to £6.3 millions for 2016/17. Unlike the tax base increase this additional income is a one off windfall and does not form part of future funding.

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

The new Adult Social Care Precept outlined above within the Adult Social Care Funding section, provides the authority with some flexibility over Council Tax increases over the medium term.

- Option 1 – increases of 2%, 2% and 2% - this would leave the Council with a tax base of £356.060 millions. It would raise £1,047.380 millions for the Council and cost a band D householder £3,770 over the three year period.
- Option 2 - increases of 2%, 3% and 1% - this would leave the Council with a tax base of £356.040 millions. It would raise £1,050.790 millions for the Council and cost a band D householder £3,782 over the three year period.
- Option 3 – increases of 3%, 2% and 1% - this would leave the Council with a tax base of £356.040 millions. It would raise £1,054.150 millions for the Council and would cost a Band D householder £3,794 over the three year period.
- Option 4 – increases of 3%, 3% and 0% - this would leave the Council with a tax base of £355.970 millions. It would raise £1,057.540 millions and would cost a band D householder £3,806 over a three year period.

Option 1 gives the Council the highest tax base and costs the tax payer least but by relatively small margins. Option 4 brings in the highest level of funding and raises £10 millions more than Option 1 over a three year period.

The figures are illustrative only and do not include the Council Tax increase of up to 2% permitted before a referendum is required.

New Approach to Identify Savings and Efficiencies

The Council is using an approach called Systems Thinking to redesign services around what matters to the people of Devon. This approach is based on:

- challenging our assumptions and thinking;
- listening to our citizens to understand what matters to them;
- understanding how work flows through our system; and
- redesigning our systems around citizen's needs.

Over time our ways of working have evolved in response to a range of factors like, policy and legal requirements, budget changes, responses to emergencies and programmes of work. Some of these factors may no longer exist, but the ways of working remain, through policy, practice or even habit and this can get in the way of us doing a good job.

Systems Thinking challenges our assumptions and gives us a way of looking at the entire system focusing on what matters to the people of Devon and designing against that; giving us the tools to understand how we can make systemic changes that will truly make a difference to our citizens, reduce waste in the system and save money.

Working in Partnership

The Council continues to work with a range of strategic partners to develop new ways of working, improve delivery for people across Devon, better share resources and expertise and where possible, to create efficiencies and savings.

The council sees that developing strong partnerships as often the preferred route in tackling some of Devon's most challenging issues and themes of key strategic significance and successfully uses this approach across the organisation. We have a range of groups and examples of good practice in partnership around commissioning, safeguarding, community safety, local resilience and our local environmental that have each benefitted from a shared perspective and approach, at both a county and regional basis.

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

The Better Care Fund

The Better Care Fund was first introduced in April 2015, and enables the local authority and Clinical Commissioning Groups (CCGs) to pool budgets in support of an integrated spending plan that focuses on people-centred solutions. The Devon pooled budget currently amounts to £62m and is hosted by the Council. The Council along with its CCG partners is committed to further integration of budgets where this achieves better outcomes and has the scope to deliver efficiency savings for the local health and social care economy.

Devolution

The authority has entered into a partnership with Somerset County Council; Torbay Council; Plymouth City Council; thirteen Devon and Somerset District Councils; the Heart of the South West Local Enterprise Partnership; the three Clinical Commissioning Groups

and the two National Parks and has approached Government to negotiate a devolution deal for the Heart of the South West area.

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

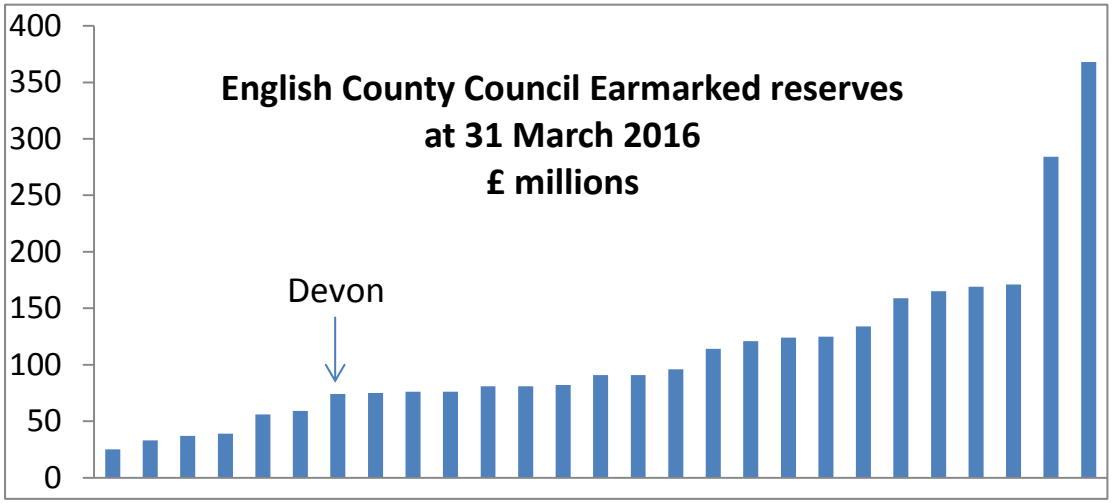
Reserves & Balances

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

The authority holds three types of Reserves:

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

The level of earmarked reserves held by the authority is low compared with other County Councils. In a recent analysis Devon's earmarked reserves were 7th lowest out of 27 County Councils. The following chart shows the earmarked reserves (including budget carry forwards) for the 27 county councils in England.



Ongoing budgetary constraints limit the authority's ability to contribute anything other than modest sums to the reserves. The table below shows the anticipated level of earmarked reserves in future years:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Projected Year End Balance	57,637	42,327	43,002	43,952	44,919

The earmarked reserves balance of £57.6 millions shown for the end of 2015/16 includes £11.6 millions achieved by changing the Minimum Revenue Provision policy in that year. This sum has been set aside to help reduce the level of savings required in 2017/18 when the greatest level of savings would, otherwise, be required. The balance of £42.3 millions shown for 2017/18 is after this set aside sum has been applied.

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.6 million of balances. The rationale for holding this level of balances is set out annually when the budget is prepared. In essence balances are held to contain service overspendings that cannot be met from earmarked reserves. They are regarded as a last resort means of retaining financial viability when earmarked reserves are exhausted and as such are irreducible.

Capital Strategy and Borrowing

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

The Capital Programme is funded by a combination of receipts from the sale of assets, external grants and contributions, funding from school revenue budgets and borrowing from internal resources. An outline of the Capital Programme by service and the funding sources for the programme is shown on pages 19 to 32.

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 to be funded from Capital Receipts are set out below:

	Cost £'000
Replacement and Upgrade Corporate Estate	3,000
In Vessel Composting Sites	500
Country Farms Estate Enhancement Programme	3,000
IT Replacement and Renewal to Support the Operating Model	3,000
IT User Access & Productivity Tools, Infrastructure & Digital Communications	2,500
Total	12,000

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 £42.3 millions in 2017/18.

As set out in the Treasury Management Strategy the Council has changed its Minimum Revenue Provision Policy which will mean that the authority will have a lower level of internal cash resources. The Council has also seen an increase in the amount of internal cash required to forward fund schemes in advance of receipt of section 106 and CIL monies. A consequence of increased forward funding and a change in MRP Policy will

have an impact upon the future shape of the capital programme as there will be less flexibility to add new schemes to the plan other than those funded from government grant or external contributions.

The Council has in place a robust programme of reviewing its estate with the objective of generating Capital Receipts. Due to the policy not to undertake any new borrowing this funding source enables the authority to undertake additional Capital investment without the adverse impact of creating additional capital financing cost burdens on the Revenue budget or adversely affecting the authority's cash balances. This strategy presents an element of risk. If the required level of receipts is not generated, other capital funding sources will need to be identified to finance required capital spending at the approved level.

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

The overall level of debt for capital financing and the impact on the revenue account is shown on page 19 to 32.

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

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

Risk Management

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

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

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

Service management teams have also identified strategies aimed at managing identified potential risks not currently budgeted for. These are summarised in the Risk Assessment section on page 105 to 117.

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

The Medium Term Strategy has been prepared with the best information available but the uncertainties around Brexit, the Needs review, 100% Business Rates Retention and the Improved Better Care Fund make it impossible to plan with any certainty. The Government's four year funding 'guarantee' is helpful but is only one piece of the jigsaw.

What is clear is that funding is reducing whilst service pressures, particularly in Social Care are increasing. Partnership working with the Health sector and the Government's intentions around additional funding will be key to the financial sustainability of Local Government.

County Fund Balance and Earmarked Reserves 2017/18

Introduction

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

Balances

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

The Working Balance risk analysis has been reviewed and minor adjustments made. Balances as at 31 March 2017 are forecast at £14.6 millions which achieves the minimum target for balances established by the risk assessment exercise, so no additional contribution to general balances is proposed for 2017/18. The appropriate level of reserves will need to be re-considered at the end of the current financial year in light of the outturn. A detailed schedule of risks and their quantification is included in Table 1 below.

Current budget monitoring indicates that for 2016/17 variations have occurred on a number of demand led budgets. As a result spending may not be contained within the overall budget without some call on earmarked reserves being required.

The major risks affecting the County Council have been outlined on page 105 to 117. Judgements have been made about the likelihood of overspending and this has been converted into a financial measure. The results are shown in Table 1. 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.

Table 1 – Risk assessment

Risk Assessment and Mitigation Plans					
	Potential Level of Risk				
Area of Risk	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Mitigation**
Adult Care and Health					
Adult Care Operations and Health	7,549	7,549	7,549	7,549	
Adult Commissioning and Health	555	555	833	833	
Children's Services					
Children's Social Work and Child Protection	2,604	2,604	2,604	2,604	
Education and Learning - General Fund	1,301	1,301	1,301	1,301	
Community, Public Health, Environment and Prosperity					All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.
Communities and Other Services	117	117	117	117	
Economy, Enterprise and Skills	139	139	139	139	
Planning Transportation & Environment	244	244	244	244	
Public Health	300	300	300	300	
Corporate Services					
Chief Exec, Legal and Communications	80	80	80	80	
Digitial Transformation and Business Support	289	289	289	289	
Human Resources and Organisational Development	171	171	171	171	
Treasurer's Services	204	204	204	204	
Highways, Infrastructure Development and Waste					
Infrastructure Development &Waste Management	319	319	319	319	
Highways and Traffic Management	629	629	315	315	
Total	**14,501**	**14,501**	**14,465**	**14,465**	

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

Earmarked Reserves

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

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

The Authority changed its Minimum Revenue Provision Policy, which generated a saving of £11.6 million on the capital financing budget in 2015/16. As set out in the budget for 2016/17, the authority transferred this underspend to the Budget Management Reserve. This sum will be used in 2017/18 to reduce the level of savings that would, otherwise, be required.

Dealing with risks and emergencies

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.6 million of balances. The rationale for holding this level of balances is set out earlier in this report. In essence balances are held to contain service overspendings that cannot be met from earmarked reserves. They are regarded as a last resort means of retaining financial viability when earmarked reserves are exhausted and as such are irreducible.

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

The extreme weather in 2012 illustrates why allowing for this is necessary. The cost of the clear up after the flooding was £12.2 million. A further £1.4 million was set aside to provide for repair and reinstatement works. Of this total amount £3.1 million was met by Government through the Bellwin Scheme. A net revenue cost of £10.5 million had therefore to be covered by the Authority.

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

Whilst budget overspending, recognised and dealt with at outturn can be met from the risk assessed balances, currently just over £14.6 million, should an event of the magnitude of the extreme weather of 2012 happen at the same time there would be no financial cover unless this is specifically planned for in earmarked reserves.

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

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

Table 2 – Earmarked Reserves

Purpose & Description of Reserve	Estimated balance as at 31.3.17 £'000	31.3.18 £'000	31.3.19 £'000	31.3.20 £'000	31.3.21 £'000
Special Purpose Reserves					
Affordable Housing	203	143	83	33	
On Street Parking	4,344	3,114	2,849	2,849	2,849
Public Health	226				
Subtotal: Special Purpose Reserves	4,773	3,257	2,932	2,882	2,849
Specific Contingency Reserves					
Budget Management	24,026	12,426	12,426	12,426	12,426
Business Rate Risk Management	2,425	2,425	2,425	2,425	2,425
Emergency	15,000	15,000	15,000	15,000	15,000
Service Transformation	11,413	9,219	10,219	11,219	12,219
Subtotal: Specific Contingency Reserve	52,864	39,070	40,070	41,070	42,070
Total Earmarked Revenue Reserves	57,637	42,327	43,002	43,952	44,919

COUNTY FUND BALANCES	**£'000**
Estimated balance as at 31st March 2017	**14,636**
Add contribution in 2017/18	**0**
Estimated balance as at 31st March 2018	**14,636**

Note: The estimate of both working balances and earmarked funds as at March 2017 reflect the best known information to date: the final totals will change as a result of decisions taken at outturn.

EARMARKED REVENUE RESERVES

	Estimated Balance at 31.03.17 £'000	Estimated Spending £'000	Estimated Income £'000	As at 31.03.18 £'000
Affordable Housing	203	60		**143**
On Street Parking	4,344	1,230		**3,114**
Public Health	226	226		**0**
Budget Management	24,026	11,600		**12,426**
Business Rate Risk Management	2,425			**2,425**
Emergency	15,000			**15,000**
Service Transformation	11,413	4,194	2,000	**9,219**
Total Earmarked Revenue Reserves	**57,637**	**17,310**	**2,000**	**42,327**

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

Treasury Management Strategy 2017/18 – 2019/20 and Prudential Indicators 2017/18 - 2021/22

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

The County Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Services. This is one of the Prudential Indicators required by the Code. The current Code of Practice was published by CIPFA in November 2011, and requires the Council to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). A revised Policy Statement and TMPs were agreed by the Council in February 2016. These policies remain appropriate and no changes are proposed for 2017/18.

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 2017/18 – 2021/22.

This Treasury Management Strategy document sets out:

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

Minimum Revenue Provision

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. All supported capital expenditure and unsupported borrowing up to 1st April 2008 and unsupported borrowing post 1 April 2008 (including Vehicle and Equipment Loans Pool), Capitalisation Direction and charges to other public sector bodies will be charged on the period of benefit of the capital investment (on a straight line basis).

We will not provide for MRP in circumstances where the relevant expenditure is intended to be financed from external contingent income, where it has not yet been received but where we conclude that it is more probable than not that the income will be collected.

Capital financing costs are also affected by PFI contracts and finance leases coming 'on Balance Sheet'. This will be charged in-line with the authority's main MRP Policy over the period of benefit of the capital investment, being the asset life.

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

Capital Expenditure

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

Table 1 – Capital Expenditure

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Total Capital programme	**114,751**	**97,989**	**71,423**	**59,487**	**57,945**
Funded by:					
Gross borrowing	10,312	11,055	2,967	1,200	1,218
Other capital resources	104,439	86,934	68,456	58,287	56,727
Total capital programme funding	**114,751**	**97,989**	**71,423**	**59,487**	**57,945**
Total capital expenditure	**114,751**	**97,989**	**71,423**	**59,487**	**57,945**

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 2017/18 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Underlying borrowing requirement	672,988	665,629	650,280	631,431	616,018
Other long-term liabilities	138,946	133,717	128,637	123,888	118,485
Capital financing requirement	**811,934**	**799,346**	**778,917**	**755,319**	**734,503**

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 2017/18 – 2021/22.

Table 3 – Authorised Limits

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Authorised limits for borrowing	742,988	735,629	720,280	701,431	686,018
Authorised limit for other long-term liabilities	138,946	133,717	128,637	123,888	118,485
Authorised limit for external debt	**881,934**	**869,346**	**848,917**	**825,319**	**804,503**

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 2017/18 and following years.

Table 4 - Operational Limits

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Operational limits for borrowing	717,988	710,629	695,280	676,431	661,018
Operational limit for other long-term liabilities	138,946	133,717	128,637	123,888	118,485
Operational limit for external debt	**856,934**	**844,346**	**823,917**	**800,319**	**779,503**

The forecast opening balance for External Borrowing at 1 April 2017 is £507.85 million and remains unchanged at 31 March 2018.

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

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital financing requirement	811,934	799,346	778,917	755,319	734,503
Gross borrowing and other long-term liabilities	651,467	646,796	641,567	636,487	631,738
Under/ (over) borrowing	**160,467**	**152,550**	**137,350**	**118,832**	**102,766**

The debt management strategy and borrowing limits for the period 2017/18 to 2021/22 have been set to ensure that over the medium term net borrowing will only be for capital purposes.

Ratio of Financing Cost to Net Revenue Stream

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

Table 6 – Ratio of Financing Costs to Net Revenue Stream

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Minimum revenue provision	18,376	17,241	17,116	18,849	15,431
Interest payable	26,023	26,023	26,023	26,023	26,023
Recharges and other adjustments	(2,136)	(697)	(646)	(2,774)	(3,566)
Interest receivable	(790)	(790)	(790)	(790)	(790)
Capital financing cost (excluding other long-term liabilities)	41,473	41,777	41,703	41,308	37,098
Capital financing costs of other long-term liabilities	15,930	15,362	14,625	14,901	14,636
Capital financing costs including other long-term liabilities	57,403	57,139	56,328	56,209	51,734
Estimated net revenue stream	**489,494**	**519,809**	**507,157**	**514,447**	**514,447**
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	**8.47%**	**8.04%**	**8.22%**	**8.03%**	**7.21%**
Ratio of financing costs (including other long-term liabilities) to net revenue stream	11.73%	10.99%	11.11%	10.93%	10.06%

Incremental Impact on Council Tax

The incremental impact on Council Tax of the investment decisions made in setting the 2017/18 Capital Programme is shown in table 7.

Table 7 – Impact on Council Tax

Incremental impact on band D council tax payers of investment decisions funded by borrowing	(0.13)	(0.54)	(0.08)	0.08	0.08
Incremental impact on band D council tax payers of investment decisions funded by increased other long-term liabilities	0.00	0.00	0.00	0.00	0.00
Incremental impact on band D council tax payers of capital investment decisions made in setting the 2017/18 MTCP	**(0.13)**	**(0.54)**	**(0.08)**	**0.08**	**0.08**

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 2017/18 and beyond are set out in Table 8 below:

Table 8 – Treasury Management Prudential Indicators

Prudential Indicators	Upper Limit	Lower Limit
	%	%
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	20	0
12 Months to within 24 months	25	0
24 Months to within 5 Years	30	0
5 years and within 10 Years	35	0
10 years and within 20 years	45	0
20 years and within 35 years	60	0
35 years and within 50 years	75	20

The limits have been set taking into account the CIPFA Code of Practice which requires that the maturity date for LOBO (Lender Option Borrower Option) loans is assumed to be

the next call date, rather than the total term of the loan. This will apply to the Council's Money Market loans.

Monitoring the Indicators

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

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

Analysis of Long Term Debt

The following Table 9 shows the County Council's fixed and variable rate debt as at 31 March 2016 and 31 December 2016 (current).

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

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

Table 9 – Analysis of Long Term Debt

	Actual 31.03.16 £'m	Interest Rate %	Current 31.12.16 £'m	Interest Rate %
Fixed Rate Debt				
PWLB	436.35	4.99	436.35	4.99
Money Market	71.50	5.83	71.50	5.83
Variable Debt				
PWLB	0.00		0.00	
Money Market	0.00		0.00	
Total External Borrowing	**507.85**	**5.11**	**507.85**	**5.11**

Schedule of Investments

The following schedule shows the County Council's fixed and variable rate investments as at 31 March 2016 and as at 31 December 2016 (current).

Table 10 – Schedule of Investments

	Maturing in:	Actual 31.03.16* £'m	Interest Rate %	Current 31.12.16* £'m	Interest Rate %
Bank, Building Society and MMF Deposits					
Fixed Rates					
Term Deposits	< 365 days	45.00	0.84	45.00	0.80
	365 days & >	0.00		0.00	
Callable Deposits					
Variable Rate					
Call & Notice Accounts		73.80	0.60	37.50	0.56
Money Market Funds (MMFs)		0.00		13.33	0.30
Property Fund		10.00	4.67	10.00	4.49
All Investments		**128.80**	**1.00**	**105.83**	**1.00**

The Council's cash balance available for investment varies during the year, with the balance building up during the first half of the financial year, and then tapering down towards the end of the financial year. It is anticipated that the cash balances at 31st March 2017 will have reduced from £128.8m at the start of the financial year to around £110m (£95m excluding Growing Places Fund money).

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

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

Prospects for Interest Rates

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

Following the outcome of the EU referendum in June, the Bank of England decided to reduce UK interest rates from 0.5% to 0.25%, as a result of concerns about the impact of the decision on the UK economy. UK interest rates had already been held at an

* The figures as at 31 March 2016 and 31 December 2016 include respectively around £14.6m and £14.5m related to the Growing Places Fund (GPF). Devon County Council has agreed to be the local accountable body for the GPF, which has been established by the Department for Communities and Local Government to enable the development of local funds to address infrastructure constraints, promoting economic growth and the delivery of jobs and houses. The Council is working in partnership with the Local Economic Partnership, and interest achieved on the GPF cash, based on the average rate achieved by the Council's investments, will accrue to the GPF and not to the County Council.

unprecedented low level of 0.5% since March 2009. Interest rates have also been under pressure across the world, with both the Eurozone and Japan seeing negative interest rates. Quantitative Easing measures to provide liquidity have been utilised widely and remain in place in the UK, the Eurozone and Japan. The introduction of new regulations requiring banks to hold a higher cash buffer has also had the effect of reducing the rates on offer. Only in the United States have interest rates begun to rise as a result of a strengthening economy.

As a result of this and other global concerns that have impacted on banks, the rates that are now available have fallen further during 2016 from the already low rates previously available in the market.

A rise in the Bank of England Base Rate is thought unlikely during 2017/18, as a result of the uncertainty arising from the decision to leave the European Union and the nature of the UK's future relationship with the EU. The following Table 11 sets out interest rate forecasts over the next year. The forecasts from Capita and Capital Economics reflect the view that the Bank of England base rate is unlikely to increase over the next financial year. The longer-term rates available from the Public Works Loan Board (PWLB) are forecast to increase marginally from the end of 2017.

Table 11 – Base Rate Forecasts and PWLB Rates

	Dec (act) 2016	March 2017	June 2017	Sep 2017	Dec 2017	March 2018
Base Rate						
Capita	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

	Dec (act) 2016	March 2017	June 2017	Sep 2017	Dec 2017	March 2018
PWLB Rates						
Capita forecast						
10 Year	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
25 Year	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%
50 Year	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%

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 2017/18 – 2019/20

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

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

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without

incurring a financial penalty. Capital expenditure new starts have been limited to those that were financed from sources other than borrowing.

This strategy has worked well in a period of austerity. The Council's external borrowing level has reduced by £102m to £508m from 2008/09, resulting in reduced Capital Financing Charges.

The strategy was reviewed in 2014, in recognition of the need to invest in capital and the low level of interest rates. The review resulted in a programme of new starts funded by capital receipts but reaffirmed the policy of taking out no new external borrowing. There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its revenue budget in the coming years and it is therefore difficult to imagine how significant additional borrowing could be financed. As a result the Medium Term Financial Strategy (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. 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 2017 the Council will have cash balances of around £95m. 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. Use of revenue reserves and internal borrowing to fund the capital programme are likely to reduce the cash balance significantly during 2017/18. As a result the availability of cash to repay external debt will be extremely limited.

If short-term borrowing is required to aid cashflow, this will be targeted at an average rate of 0.4%.

Investment Strategy 2016/17 – 2018/19

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

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

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

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

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

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

The outlook for cash investment remains challenging. Whereas in the past there has been a perception that Governments would not allow banks to fail, the current regulatory environment has put 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.

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 commercial property fund would be a prudent way to diversify risk and achieve a higher yield. UK Gilts and corporate bond funds could still face a challenging environment, whereas the commercial property market stood to benefit from forecast growth in GDP. The CCLA Property Fund is therefore included as an approved counterparty.

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

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

The lowest rating published by any of the agencies is used to decide whether an institution is eligible for inclusion. Where the counterparty is only rated by two of the major ratings agencies the lowest rating published by either of the two is used. This rating also determines the maximum amount which can be loaned to an individual counterparty. Non-Eurozone overseas banks that meet the criteria are included from countries with a high Sovereign rating.

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

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

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

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

Table 12 below summarises the current 'Approved List' criteria.

Table 12 – Counterparty Approved List Summary

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

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

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

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

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

A requirement of the Prudential Code is to establish an indicator of the total principal sum invested for a period longer than 364 days, and to state the basis used in determining the amount. The purpose of this indicator is to help the Council to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

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

For the 2017/18 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.40% p.a. and the yield from investment in the CCLA Property Fund will be 4.50%. The inclusion of overseas counterparties provides additional flexibility, but the rates offered by some banks have reduced over the last year. The target we have set for 2017/18 is thought to be one that is achievable.

Interest rates are forecast to remain low for the foreseeable future. MTFS forecasts have therefore been based on average rates for lending to banks and building societies continuing to be 0.40% for 2018/19 and 2019/20. However these will be reviewed in the light of changes to the rates on offer from the Council's counterparties over the MTFS period.

Performance Targets

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

Risk Analysis of Volatile Budgets

Background

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

The most significant high-risk areas for 2017/18 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action include:-

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

Risk Assessment

Adult Care and Health

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Strategic Risk - demand and unit cost	226,595 (gross)	Devon continues to have one of the most elderly population profiles in the country, particularly in people over 75 years of age with 11.4% of our population falling into this category (3.3% above the average for England). The Office of National Statistics predictions indicate that this number will increase by 2.3% next year, rising to 3% per year by 2021. This budget is based on the most recent service volumes at the time of budget preparation, outlined on the individual budget pages. This requires an overall reduction in the number of clients to achieve the budget levels. The unit price for each element of the service is also based on the most recent data available at the time of preparation, with an additional uplift for inflation. No increase has been included for any additional market premium.	Consistent application of eligibility criteria and continued development / enhancement of strategies to promote independence as well as managing demand through early prevention activities. Continue to prevent reliance on ongoing care wherever possible by earlier intervention and reablement, and increase the proportion of care spending on short term recovery based services so that resources are redirected to where they will be most effective. Maximise opportunities for joint investment with the NHS, including joint agreements on the use of the Better Care Fund financial transfers, to achieve changes needed, and support essential services where appropriate. Monitor and manage budgets rigorously so that management at all levels are alerted if budgets start to overheat.
Strategic Risk - Promoting Independence	5,685	Within this options appraisal there are ambitious strategies to promote independence which will require change and achieve savings. Officers across adults services are engaged fully with the need to ensure budget savings (which total £6.691millions in 17/18) are delivered. There are many strategies that are now advancing, but the scale of change is likely to severely test the capacity of managers at different levels, especially where pressures of essential work cannot be reprioritised without risk to those who receive services.	Monitor and manage budgets rigorously so that management at all levels are alerted if budgets start to overheat. The change programme methods are well established and there is regular consideration by the Care and Health Leadership Team as to whether resources to implement change are sufficient. Where necessary, resources to alleviate pressure will be allocated. This is a cross council approach to working with our communities and residents and other parts of the authority will be contributing to the implementation of Promoting Independence

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Specific Demand Management Approaches - Personal care	37,211 (gross)	Our 'promoting independence' strategy in personal care depends on reducing the number of people with lower level needs receiving ongoing care by identifying individuals where other solutions (which will often be short-term or one-off) might be more appropriate, including the use of assistive technology or informal support. This depends upon our care management staff adopting a more strengths-based approach on assessment and expecting people to progress at review. However, with an ageing population and a culture of expectation (including NHS colleagues who are responsible for many of our referrals) making the projected reductions in the numbers of people receiving services and the intensity of the service received, will be challenging.	We will continue to manage the transition to the Living Well at Home contract: supporting and challenging lead providers to ensure sufficiency and quality of service at the agreed price; to work as trusted assessors to find other solutions for those with lower level needs where possible; and to introduce outcomes based commissioning to promote independence. Our care management staff will undertake training and development to better work with people at assessment and review to find the best solution to their needs, avoiding or reducing dependence on personal care services over time, recognising that short-term interventions to enable someone to recover independence are usually better than ongoing services for most people. We have introduced weekly measures of personal care activity and spend; monthly tracking of specified cohorts ; and team level targets that are performance managed.
Specific Demand Management Approaches - Direct Payments	29,118 (gross)	Direct payments are paid to a recipient to enable them to use a provider of personal care services of their choice rather than one from our contract. More often they enable people to choose the kinds of support they want to meet their eligible needs.	We have introduced the 'Devon card' to automate the monitoring of direct payments and more easily enable clawback of unspent funds. We are introducing the progression model into the setting of direct payments, with a default position that payments reduce over time, and are to be used in a way that enables people to progress to greater levels of independence wherever possible. The monitoring and targeting of direct payments activity and spend will be done in a similar way to that for personal care services

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Specific Demand Management Approaches: Residential and Nursing Care	114,083 (gross)	Our greatest challenge in the residential and nursing markets is ensuring sufficiency of locally available care at a good or better quality at an affordable price. The market in Devon features a greater proportion of smaller providers, often operating homes in non-purpose-built buildings and a sub-optimal number of beds, leaving them more vulnerable to changing market conditions. In a rural county market price is impacted by geography and local scarcity and our system of banded rates established to provide a consistent fair cost of care are under pressure, as well as being subject to inflation mainly driven by the National Living Wage. For specialist provision for younger adults, the rates we have managed to negotiate have been relatively low, but small fluctuations in the number of people with very complex needs can incur very significant costs.	We will continue to seek solutions for people in their own homes – or other accommodation with care options – wherever possible, asking questions about proposed placements for people with lower levels of dependency. We will introduce a more tightly managed brokerage system, maximising the potential benefits of being a purchaser of over 40% of care home beds in the county. We will be more flexible in where we place people, being clear there are limits on choice unless a top-up is paid. We will work ever more closely with our NHS partners, neighbouring local authorities, and the regulator in shaping, managing and quality assuring the care home market.
Specific Demand Management Approaches Mental Health	14,157	Our services to people with mental health needs are provided in partnership with the Devon Partnership Trust which takes an operational lead and has our staff assigned to its frontline teams. Our joint plan to improve outcomes within reducing resources requires some significant reconfiguration of services through changing direct provision or contractual arrangements.	Our joint governance and planning arrangements are now more robust and transparent with more effective monitoring of activity, performance and spend and a stronger culture of joint working to achieve jointly agreed objectives.
Specific Demand Management Approaches: Support to people with disabilities	88,197	As with personal care, our 'promoting independence' strategy in individualised support depends on reducing the number of people with lower level needs receiving ongoing support, identifying those where other solutions (which will often be short-term or one-off) might be more appropriate, including the use of assistive technology or informal support, ensuring support in supported living settings is appropriate to all residents, and expecting the enablement of greater levels of independence over time. This depends upon our care management staff adopting a more strengths-based approach on assessment and expecting people to progress at review.	We are introducing the progression model into the care management of younger adults, especially those with learning disabilities, with an expectation that the person, their carer, the care manager, and the service provider will work together to enable greater levels of independence over time. We will work with providers on training and developing their workforce and incentivise them to achieve outcomes of greater levels of independence. The monitoring and targeting of individualised support activity and spend will be done in a similar way to that for personal care services.

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Enablers to Managing Demand - Care management changing role and approach		To shift our culture and practice to make promoting independence its overriding purpose is a significant challenge when partners and people in the community often judge success by an outcome of an ongoing service rather than alternative solutions. Without this shift in expectation, culture, practice and provision we will be unable to focus our constrained resources on those who need them most.	Central to promoting independence is a care management strategy that involves reviewing every aspect of the service: its operating model, staff mix, workforce development etc. Allied to this is a communications strategy aimed at staff, people who use services and their carers, providers and the wider community helping everyone to understand the 'promoting independence' approach and their contribution to making it happen.
Enablers to Managing Demand - NHS Financial Contributors to Social Care (including Better Care Fund)	Total pooled budget currently planned to be in the region of £61 millions of which £15.129 millions is included in DCC revenue budget as income	The Council entered a pooled budget arrangement in 2015/16 with Northern Eastern and Western Devon Clinical Commissioning Group (NEWDCCG) and South Devon & Torbay Clinical Commissioning Group, described nationally as the Better Care Fund (BCF). This pooled arrangement includes circa £12.5 millions of support to DCC social care budgets. All commissioning partners to the Better Care Fund, as well as provider organisations, are under financial strain, and the health community in NEWDCCG has been identified as facing particularly strong financial challenges, which includes NEWDCCG being under a 'success regime' aimed at joint action to recover financial balance. The financial challenges faced by all partners inevitably pose a risk to the short term deployment of resources, ultimately making more difficult the very changes that are necessary to overcome those financial challenges.	A joint commissioning group comprising senior officers for each organisation and with detailed governance and specialist support is overseeing the operation of BCF and will ensure clear communication between DCC and its health partners. Strong professional relationships between the health and social care sectors have been developed over the past years both with CCGs and provider trusts including hospitals. This creates better opportunities, both for resolving potential conflicts and for aligning strategic objectives of all parties to best meet the needs of the public. All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services across organisational barriers.

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Enablers to Managing Demand - Capacity to implement change		To meet the challenges of the future, we will need to remain open to all options including service remodelling, transfer or closure. More widely, we are proposing a wide and far-reaching change programme at the same time as major reconfiguration of local NHS services. Without this being a common endeavour our leadership capacity and capability will be stretched.	Changing delivery model can be difficult for service users and their carers, staff, communities and the members who represent them. We will build on our experience of managing similar situations in the past to doing what is right for the future by following best practice in change management, in particular regarding communication, governance and benefits realisation. We recognise that we must support in particular our middle managers in operational services who work across the NHS and local government and must manage the conflicting priorities of business-as-usual and change.

Children's Social Work and Child Protection

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Children's Social Work and Child Protection	77,813	The current interim Head of Service is due to leave in June. This could lead to a temporary loss of focus, as priorities settle down. Looked after children placements costs (40% of total Children's Social Care budget) is demand led, volatile and high risk. The budget has been set recognising current pressures on placement costs and assumes active cost control and management. Strategies centre on fewer children going into high cost placements, or spending less time in higher cost placements; includes improved care proceedings for Child & Parent cases. The budget is at risk if there is insufficient, appropriate lower cost provision to meet the needs of the children; or if the numbers of children coming into care rise. Social work staff costs (17.8% of total Children's Social Care budgets): Reduction in reliance on agency staff can only be improved if appropriate level of recruitment and retention are achieved, including newly qualified staff. The budget is at risk if a high number of vacancies have to be covered by higher cost agency staff.	Recruitment of strong replacement with clear objectives and hand over Improved care planning and controls via panels to ensure children and young people are held in lowest possibility cost placements (with flexible additional support as required). Work via commissioning and education to identify needs and develop local solutions to ensure children stay close to home, reduce overnights where possible, ensure rehabilitation, effective education placements and reduce transport costs. Consideration required in respect of process improvement, consistency and quality of needs statements to improve effectiveness of brokerage, linkage with education searches and single plan for a child; more widely market development - external focus on relations with providers. Continue to intervene earlier to avert crises and seek to work with district councils and partner agencies to provide joint alternatives to placements for 16 and 17 year olds, encouraging a degree of greater independence where safe and appropriate. Direct Early Help work integrating Troubled Families funding to target and support work to help families and children get through times of difficulty. Additional investment in the Social Work Academy to deliver high quality training and development for new entrants and existing workforce.

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Education and Learning – General Fund		A third of Devon's schools are academies. 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.	Ensure strong and effective collaborative working and information sharing to set out clearly the council's role and relationship with maintained schools, partnerships and academies. The Council will continue to ensure that statutory responsibilities within a diverse educational landscape are secured through a range of protocol and stakeholder agreements. Continue to encourage Academies to buy back Traded Services.
School/College Transport	23,101	The number of pupils with personalised transport needs has been increasing with costs continuing to rise.	Continue work to manage demand for special educational needs (as below for High Needs DSG spending) Increase access to Independent Travel Training. Review policies for discretionary transport provision and increase local provision for children with special educational needs.
Education and Learning – Schools budgets	522,982 (gross)	As delegation to schools budgets and the number of academy conversions increase there is less resource to provide central services with the risk of loss of economies of scale which may impact on smaller schools in particular. This risk is further exacerbated by the impact of the implementation of national changes to employee costs adding to pressure on school budgets. This could lead to schools prioritising spend which may in turn impact on traded services and de-delegation decisions.	Ensure a clear and well understood approach to robust commissioning negotiations with providers. Continue to engage with national reviews of schools funding arrangements.
High Needs budgets	62,634 (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. SEND Graduated Response and Devon Assessment Framework (DAF) to support individual placements and redistribution from core funding to support schools with the most vulnerable placements.

Communities, Public Health, Environment and Prosperity

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Public & Community Transport	5,734 (budget and other funding)	Around 75% of passenger journeys are on commercial bus services with no DCC control over them. The remainder are on supported (contracted) bus services. The commercial sector therefore shapes the network, and DCC responds to fill in gaps, optimising the scope for an integrated network. The reductions will have an impact on Devon communities as 19% of Devon residents have no access to a car, this places an increased strategic pressure on supported services.	Budget is based on actual services each year. Service support is based upon criteria related to DCC strategic objectives. Wherever possible Commercial Operators are encouraged to take up services. DCC supported services are developed to achieve commercial viability where possible.
National Concessionary Travel Scheme	9,265	Under statutory provision Commercial Bus Operators are reimbursed for the use of free travel passes by more than 178,000 pass-holders in Devon and by non Devon residents travelling in the County. Travel levels and patterns are subject to a range of influences which are outside the control of DCC so cannot be predicted precisely.	Budgets reflect recent trend data. Fixed fee contracts with bus providers have been negotiated to alleviate most of the uncertainty around costs.
Flood Risk Management – surface water	950	DCC is the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act and the Flood Risk Regulations. Consequently there would be costs associated with statutory requirements in the event of a major incident.	DCC has processes in place to undertake the required duty should there be a significant flood incident. However funding over and above the Place budget might need to be identified.
Public Health - Grant Allocation		The value of the grant is reducing by 2.5% in 2017/18 and by 2.6% for both 2018/19 and 2019/20.	There are plans in place for the re-procurement of all large areas of spend (sexual health, children's services and substance misuse) which will lead to service delivery being re-designed in order to achieve efficiency.
Public Health - Sexual Health		Demand on service delivery continues to rise by an average of 4% each year but funds available are flatlined at best, if not subject to reduction.	Re-designing service pathways to ensure that needs are met as efficiently as possible across the whole system of delivery.
Exeter Science Park (loan guarantee)	Max 2,652	Construction has been completed by Exeter Science Park Limited (ESPL) on a Science Park Innovation Centre. This was partially funded via a loan from the Growing Places Fund through the Local Enterprise Partnership (LEP). DCC have guaranteed 50% of the loan and interest. It is likely that part of the guarantee will be required and to date budgetary provision has been made to cover £800k. This figure is based on the current shortfall shown in the ESPL business plan which is now two years old and due to be revised.	The guarantee is based on development monies being generated in the future to repay the loan. If the budgeted requirement increases further funds may need to be set aside. This will be monitored during the year via ESPL Business Plans which have to be approved by the Board at regular intervals. However, the existing plan is now two years old.

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Budget Reductions (incl. Policy Changes)	576	A programme of budgets cuts is planned for 2017/18. Reductions are becoming harder to achieve with the time and capacity needed to achieve the outcomes greater than at the start of the austerity process. Some reductions are reliant on collaboration and co-operation from partners which cannot be fully guaranteed or controlled by DCC. In order to achieve budget reductions, polices are continually being reviewed using a more risk based approach. This may lead to an increase in risk of challenge or failure.	The first priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2017/18 with particular emphasis on high risk, or under developed, strategies. Continuous efforts to influence and negotiate with partners will be maintained. All policy changes are developed and tested/piloted prior to full implementation. An Equality Needs Impact Assessment is undertaken for each change. The effects and impact of the changes is continually monitored.

Partnership Risk Assessment

	Partnership	Purpose	Partner	Gross Value £'000	Risk Analysis / Mitigation
Place	Safety Camera Partnership	To encourage road safety in the region.	Devon County Council, Cornwall Council, Torbay Council, Plymouth Council Devon and Cornwall Police, Highways England	101 (DCC only)	There is a legal agreement in place between the partners. The Road Safety Partnership board decides which schemes to fund and Cornwall Council is the Accountable body. There is no risk of unexpected material costs arising unless the partnership is disbanded where liability for exit costs will be shared between partners. This risk is partially mitigated by a partnership reserve to part fund exit costs.

Corporate Services

Service	Budget 2017/18 £000	Risk and Impact	Mitigation
Digital Transformation and Business Support	14,324	Increasing demands for support for Children & Adults at risk, services subject to organisational change and changes in service plans place increasing pressure on this service.	Work closely with service heads across the authority to ensure consistency of approach.
Legal Services	1,051	Legal is a demand led service and as such subject to external influences, not least the current economic climate. The service also needs to be flexible in responding to the priorities of the County Council as a whole. In doing this it is important to ensure that the necessary skills & knowledge are available in order to respond to changes in legislation & processes. Furthermore, significant levels of income are predicated on charging academies for conveyancing work.	There is little scope for management action to alleviate financial pressures except at the expense of other services. We are continuing to work closely with colleagues to ensure that we manage the situation to the best of our ability.
Coroners Service	1,398	There is a risk of unavoidable additional costs in medical, analysts, funeral directors and mortuary facility fees. This partly arises from problems in commissioning pathology services, increased fees generally, increases in charges set by the Home Office and some increase in workload.	We are continuing to work closely with colleagues across the region conducting ongoing reviews of commissioning processes and joint working arrangements with a view to curtailing expenditure and producing additional efficiencies and economies in this respect.
Treasurer's Services and Human Resources	8,571	Increasing demands for financial and HR support & advice, not least from services subject to organisational change and changes in service plans, place increasing pressure on the capacity of this service at a senior level.	Work closely with service heads across the authority to ensure consistency of approach, smarter working practices and increased use of information systems.
Organisational Development and review of information services	585	Savings required as part of the organisational development service will require commitment and co-operation from across DCC and its partners.	Work closely with service heads across the authority to ensure consistency of approach, smarter working practices and increased use of information systems

Highway, Infrastructure Development and Waste

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Winter Maintenance and Emergencies	Approx. 4,700	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. 5,600	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Over the last 3-4 years significant extra resources from both central government and DCC have been targeted towards this area. A change to the policy with regard to Highways Safety Inspections may increase the risk in this area.	New ways of providing this service will take effect in 2017/18. Works are closely monitored during the year and funds diverted from planned works where possible.
Mobilisation and demobilisation of the Term Maintenance Contract for Highways	700	The Term Maintenance Contract (TMC) has been awarded with a start date of 1st April 2017. This entails a change of contractor. The risk involves both the mobilisation of the new contract and demobilisation of the existing contract.	A six month mobilisation plan prior to the start date of the contract. Dedicated teams from both DCC and Skanska working on the mobilisation. The demobilisation plan will be monitored carefully into 2017/18.
Ash Die Back Disease – impact on Highways	100	Ash dieback could have an effect on DCC budgets and resources. This impact will not be immediate but the effects will probably be dealt with over a 10 year period. There is evidence that Ash Die Back is infiltrating into Devon's tree population. Ash trees make up approx. 20% of Devon's tree population. If 20% of those trees are the responsibility of DCC this could result in a £350k cost per annum.	The rate of the spread of disease will be monitored closely and will ensure that all trees not owned by DCC are dealt with by the land owner.
Waste Management	26,846	Waste tonnage levels and growth rates are volatile and difficult to predict as they are subject to a range of influences outside the control of DCC. Due to the current economic climate a small growth level has been assumed based on current levels of tonnage going to landfill disposal. Similarly, the extent to which contractors will meet recycling targets is uncertain. These risks may result in the budget being over or under provided. A variation in tonnages of +/- 1% could result in a financial variation of £315k.	Extra resources have been targeted towards this area to deal with an, above average, increase in the tonnage levels. Budgets reflect recent trends. Other than undertaking work to influence behaviours there is limited scope for management to alleviate financial pressures should tonnage increase. Tonnage levels are closely monitored. More cost effective ways of disposing of waste are continually explored such as the recent Energy from Waste Plants at both Exeter and Plymouth which are now open.

Service	Budget 2017/18 £'000	Risk and Impact	Mitigation
Budget Reductions (incl. Policy Changes)	5,527	An extensive programme of budgets cuts is planned for 2017/18. Reductions are becoming harder to achieve with the time and capacity needed to achieve the outcomes greater than at the start of the austerity process. Some reductions are reliant on collaboration and co-operation from partners which cannot be fully guaranteed or controlled by DCC. In order to achieve budget reductions, polices are continually being reviewed using a more risk based approach. This may lead to an increase in risk of challenge or failure. .	The first priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2017/18 with particular emphasis on high risk, or under developed, strategies. Continuous efforts to influence and negotiate with partners with be maintained. All policy changes are developed and tested/piloted prior to full implementation. An Equality Needs Impact Assessment is undertaken for each change. The effects and impact of the changes is continually monitored.

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Abbreviations

Abbreviations used within the budget:

AONB	Area of Outstanding Nature Beauty
BACS	Bankers automated clearing services (electronic processing of financial transactions)
BCF	Better Care Fund - formerly known as the Integration Transformation Fund, a national arrangement to pool existing NHS and Local Government funding starting in April 2015.
BDUK	Broadband delivery UK
Blk	Block
CCG	Clinical Commissioning Group
CCLA	Churches, Charities and Local Authorities
CIPFA	The Chartered Institue of Public Finance & Accountancy
CO	Carbon Monoxide
C of E	Church of England
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
DPLS	Devon Personalised Learning Service
DSG	Dedicated Schools Grant
EFA	Education Funding Agency
ERDF	European Regional Development Fund
ESPL	Exeter Science Park Ld
EU	European Union
FTE	Full Time Equivalent
ICE	Integrated Care for Exeter
ICT	Information & Communications Technology
IID	Investing in Devon funds
INNOVASUMP	Innovations in Sustainable Urban Mobility plans for low carbon urban transport
IT	Information Technology
IVC	In Vessel Composting
LAG	Local Action Group
LEP	Local Enterprise Partnership
LTP	Local Transport Plan
MRP	Minimum Revenue Provision
MTCP	Medium Term Capital Programme
MTFS	Medium Term Financial Strategy
MUMIS	Major Unforeseen Maintenance Indemnity Scheme
NEWDCCG	North East and West Devon Clinical Commissioning Group
NHS	National Health Service
PFI	Private Finance Initiative
PSPB	Priority School Building Project
PWLB	Public Works Loans Board
REACH	Reducing Exploitation and Absence from Care or Home
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
SCOMIS	Schools Management Information Service
SEND	Special Education Needs and Dissability
VELP	Vehicle Equipment Loan Pool