

**Revenue Budget 2018/19  
Medium Term Financial Strategy to 2021/22  
and  
Capital Programme 2018/19 to 2022/23**



**CT/18/11**  
**County Council**  
**15th February 2018**

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## Introduction

2018/19 is the third year of the Government's four-year funding settlement for Local Government. The financial settlement for 2018/19 has confirmed the core funding figures at the expected level of £115.2 millions.

The Revenue Budget Overview on page 9 and The Medium Term Financial Strategy on page 87 provide more detail on the content of Chancellor's Autumn Statement and the Financial Settlement. The main items of note are:

- The announcement that the County Council along with the eight District Councils and two Unitary Councils have been selected to be a Business Rates Pilot area for 2018/19;
- An increase of 1% in the Council Tax increase that will trigger the need for a referendum from 2% to 3%;
- The Rural Services Delivery Grant will not be reduced as expected;
- There will be no changes to the New Homes Bonus scheme other than the expected reduction in the period of benefit from five years to four years;
- A change in the annual Business Rates inflationary increase from Retail Price Index (RPI) to Consumer Price Index (CPI); and
- The launching of a consultation regarding the Fairer Funding Review.

## Setting the Budget

The budget book contains details of the County Council's revenue and capital budgets as received by the County Council on 15th February 2018, together with associated financial and operational information. The content is based on the budget report to the Cabinet on 9th February 2018.

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 four 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-impact-assessment-201819/>

## **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 **2018/19**

Date	Committee	Subject	Ref No.
13th December 2017	Cabinet	Revenue/Capital Budget 2018/19	CT/17/106
23rd January 2018	Children's Scrutiny	Draft Capital Programme 2018/19 - 2022/23 and Draft Revenue Budget 2018/19	CT/18/03
25th January 2018	Health and Adult Care Scrutiny	Draft Revenue Budget 2018/19	CT/18/02
29th January 2018	Corporate, Infrastructure & Regulatory Services	Draft Capital Programme 2018/19 - 2022/23 and Draft Revenue Budget 2018/19	CT/18/04
9th February 2018	Cabinet	Impact Assessments	<a href="https://new.devon.gov.uk/impact/published/budget-impact-assessment-201819/">https://new.devon.gov.uk/impact/published/budget-impact-assessment-201819/</a>
9th February 2018	Cabinet	Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions	CSO/18/8
9th February 2018	Cabinet	Overview/Scrutiny Committee recommendations	
9th February 2018	Cabinet	Revenue Budget and Medium Term Financial Strategy 2018/19 - 2021/22 and Capital Programme 2018/19 - 2022/23	CT/18/09
15th February 2018	Council	Revenue Budget and Medium Term Financial Strategy 2018/19 - 2021/22 and Capital Programme 2018/19 - 2022/23	CT/18/11

## **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 2018/19 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 135 to 145.

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

The availability of general balances to meet any unforeseen liabilities and provide flexibility during a period of change is a key element of prudent financial management. General balances for 2018/19 have been set at £14.7 millions. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided on page 104.

In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2019 is estimated at £65.3 millions.

The total for revenue reserves and balances for 2018/19 is forecast as £80 millions. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2017/18 provides an indication of the pressures facing the authority in 2018/19. In 2017/18 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 2018/19 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 2018/19. The total level of reserves and balances of £80 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

2018/19 is the third year of the Government's four-year Local Government financial settlement and although our core funding has been reduced by £13.1 millions, to £115.2 millions this is in line with expectations. The very good news is that the authority, in partnership with the eight Devon District Councils and two Unitary Councils, has been selected to become a Business Rates Pilot in 2018/19. The opportunities this creates for the partnership are outlined below along with an overview of the local government settlement.

## The Local Government Finance Settlement 2018/19

On 6th February 2018 the Ministry of Housing, Communities and Local Government made a statement to Parliament on the Final Local Government Finance Settlement for 2018/19.

Members may recall, that the 2016/17 local government finance settlement announced Core Spending Power figures for the four year period of 2016/17 to 2019/20. The Provisional Settlement for 2018/19 has confirmed the Core Funding figures at the expected level of £115.2 millions. There have however been other changes as set out below:

- It had previously been announced that the national figure for the Rural Services Delivery Grant (RSDG) would be reduced in 2018/19 from £65 millions to £50 millions; the Provisional Settlement announced that this would no longer be going ahead and the grant would remain at the current level. This change meant funding of £6 millions to the County Council, £1.4 millions more than expected. The Final Settlement made a further announcement in relation to the RSDG and increased the national figure by another £16 millions to £81 million. This has meant a further increase of £1.5 millions for the County Council; taking the grant to £7.5 millions. Due to the Business Rates Pilot, outlined later in this report, this funding will not be paid as a separate grant in 2018/19 but will be rolled into Core Funding and increase the resources available to the Council from the £115.2 millions noted above to £122.5 millions.
- The Government consulted earlier in the year on further changes to the New Homes Bonus Scheme. The Government has decided not to go ahead with the proposed changes, with the exception of reducing the benefit from 5 years to 4 years, the scheme remains consistent with current arrangements. New Homes Bonus grant figures have been announced and the sum for the County Council is just under £300,000 more than anticipated, at £3.8 millions.

The Final Settlement announced an additional £150 millions in 2018/19 for an Adult Social Care Support Grant. This has been allocated according to relative needs and the County Council will receive £2.2 millions; there is no indication this funding will be ongoing. The Government's expectation is that this grant is used for Adult Social Care.

The Chancellor's Autumn Budget announced a change in the annual Business Rates inflationary increase from Retail Price Index (RPI) to Consumer Price Index (CPI). This change is effective from 2018/19 and will mean a reduction to Business Rates received by Local Authorities as part of Core Funding. The Government undertook to compensate authorities for this loss and the Provisional Settlement includes a grant to the County Council of £2.1 millions for this purpose.

The settlement has set the Council Tax increase that will trigger a referendum, excluding the Social Care Precept, at 3% for 2018/19; an increase of 1%.

The Adult Social Care Precept regulations have remained unchanged. In 2016/17, the Social Care Precept was capped at 2% per annum for the period 2016/17 to 2019/20. Members may recall that Government changed these regulations last year and allowed Authorities to increase the precept to a maximum of 3% per annum over the period

2017/18 to 2019/20 as long as the total increase over the three years did not exceed 6%. The Council increased the Adult Social Care Precept by 3% in 2017/18. If the Adult Social Care Precept is increased by 2% in 2018/19 then there can only be a 1% increase in 2019/20; if the Adult Social Care Precept is increased by 3% in 2018/19 then there can be no increase in 2019/20.

In 2018/19 government funding (core funding) for the County Council will reduce from £128.3 millions in 2017/18 to £115.2 millions in 2018/19, on a like for like basis and before any benefit from the Business Rates Pilot outlined below. This is a reduction of £13.1 millions, or 10.2%. Although this is in line 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.

## **2018/19 100% Business Rate Retention Pilots**

During the summer the Department for Communities and Local Government invited Local Authorities to submit applications to become 100% Business Rates Retention Pilots in 2018/19. The Government's intention is that the new pilots will run alongside the five current 100% pilots which have been in operation since 1 April 2017. The current pilots, and the new wave in 2018/19 will help explore options with Government for the design of future local government finance reforms.

The County Council along with all the Devon Districts and the two Unitary Authorities submitted an application to become a Pilot area to Government at the end of October.

As part of Sajid Javid's statement to Parliament on the Provisional Local Government Finance Settlement he announced that due to the large number of pilot applications a total of ten have been accepted for 2018/19.

The Devon application is one of the ten successful bids. It is understood that at least three DCLG officials independently scored each pilot bid based upon the application criteria originally set. This in combination with ministerial judgement and Treasury cost limits led to Devon's success.

The success of the Devon wide bid brings with it not only an opportunity to help inform future local government finance reforms but a financial benefit to all of the authorities too. In October 2017, the pilot bid submitted estimated that for 2018/19 there could be a benefit of just under £17 millions to geographic Devon of which nearly £10 millions could come to the County Council. District Councils (the Billing Authorities) which operate the business rates system have provided updated estimates at the end of January 2018, which indicate that the gain to geographic Devon will increase and the benefit to this Authority could increase to an estimated £16.6 millions.

There is however increased risk in relation to any Collection Fund deficit in the following year. The Authority's share of any deficit for the year of the Business Rates Pilot would increase from 9% to 59% - the same percentage as its share of local rates. Consequently, the Authority has made a contribution of £5 millions to the Business Rates Risk Reserve to cover any deficit arising in 2019/20.

The pilot is included within the summary revenue budget Key Table 1 page 13. The figures remain an estimate and the final sums will not be known until the end of the Pilot year.

The Revenue Budget overview and The Medium Term Financial Strategy on page 87 provide more detail on these announcements and the potential impact on the authority's budget.

## **Additional Improved Better Care Fund Grant**

As part of the Chancellor's Spring Budget in March 2017 additional funding for authorities with Adult Social Care responsibilities was announced. This took the form of an additional Improved Better Care Fund Grant. For the County Council it has meant, in

round terms, an extra £15 millions in the current year, £10 millions in 2018/19 and £5 millions in 2019/20. These grants are one off and not cumulative or ongoing.

The Government requires these grants to be pooled in the Better Care Fund but used for Adult Social Care purposes. The Government has set out detailed improvements it expects to see including targets in relation to Delayed Transfers of Care (DToc). Indications are that if targets are not met then grants could be reduced or direction imposed on how they are to be spent. The Improved Better Care Fund grant funding is included in the Targets below.

## Revenue Expenditure

Detailed budgets have now been produced within the parameters set by Cabinet in January 2018; these are shown on pages 39 to 85.

The service budgets total £477.391 millions. The table below sets out the changes to the budget in summary.

	<b>2017/18 Adjusted Budget*</b>	<b>Inflation &amp; Pressures</b>	<b>Savings &amp; Additional Income</b>	<b>One-off Improved Better Care Fund</b>	<b>2018/19 Base Budget</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Adult Care & Health	214,769	11,337	(8,403)	10,148	227,851	+6.1%
Childrens Services	118,964	10,038	(3,515)		125,487	+5.5%
Communities, Public Health, Environment & Prosperity	35,530	1,034	(1,837)		34,727	-2.3%
Corporate Services	34,025	2,957	(2,364)		34,618	+1.7%
Highways, Infrastructure Development & Waste	56,204	3,227	(4,723)		54,708	-2.7%
	<b>459,492</b>	<b>28,593</b>	<b>(20,842)</b>	<b>10,148</b>	<b>477,391</b>	

\* Adjusted for Permanent Virements

Over the seven year period 2011/12 to 2017/18 the Council has had to make savings of just over £230 millions. This degree of change comes with risk. The risks associated with the delivery of the 2018/19 budget and the mitigating action needed to try to contain that risk is detailed on pages 135 to 145.

## Revenue Expenditure - Other items

Key Table 1 on page 13 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 22 to 38. Factors that influence the income gained from our balances are set out on pages 107 to 134 that explains the Council's Treasury Management Strategy.

## Revenue Income - Council Tax

The Council is required to set a Council Tax for each property band. This will need to be notified to each District Council for them to include in the billing process. 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 £4.6 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.

In 2017/18 authorities with social care responsibilities were given new powers to set up to 3% Social Care Precept; this power remains in place for 2018/19.

## **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 5 in page 17. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2018/19 the Dedicated Schools Grant has increased to £499.1 millions from £481.7 millions in 2017/18. 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 103 to 106 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.

## **Conclusion**

In 2016/17 the Council managed to provide additional funding for children's services of £13 millions. In 2017/18 the Council was able to increase adult social care budgets by just under £19 millions. This was carried out against a background of austerity that looks set to continue into the near future. In 2018/19 it is proposed to increase children service's budgets by just over £6.5 millions (5.5%) and Adult Services budgets by just over £13 millions (6.1%), the latter increase has been mainly funded by the Improved Better Care Fund. Despite these increases it is still going to be difficult to deliver the budget in 2018/19. Innovative work with partner Authorities will be needed to manage demand for Social Care and a new approach to service delivery and commissioning will be required to try to ensure that the needs of the young and vulnerable are met.

## Key Table 1 – Council Tax Requirement

2017/18 Adjusted Budget £000	Changes £000	2018/19 Budget £000
214,769 Adult Care & Health	13,082	227,851
118,964 Children's Services	6,523	125,487
35,530 Communities, Public Health, Environment & Prosperity	(803)	34,727
34,025 Corporate Services	593	34,618
56,204 Highways, Infrastructure Development & Waste	(1,496)	54,708
1,500 County Council Election	(1,500)	0
580 Central Contingency - Apprenticeship Levy	0	580
0 Central Contingency - Addt 1% Pay award	1,600	1,600
1,881 Pension contribution shortfall	138	2,019
1,356 Insurance Provision	(706)	650
<b>464,809 TOTAL SERVICE BUDGETS</b>	<b>17,431</b>	<b>482,240</b>
42,314 Capital Financing Charges	381	42,695
6,032 Exeter Schools PFI Financing Charges	236	6,268
5,192 Exeter Energy from Waste PFI Financing Charges	0	5,192
2,812 Plymouth Energy from Waste PFI Financing Charges	0	2,812
(750) Interest on Balances	(250)	(1,000)
543 Special Educational Needs	(543)	0
0 Unaccompanied Asylum Seeking Children	234	234
0 Adult Social Care Support	2,235	2,235
350 Council Tax Support Partnership	0	350
820 Dartington School	(820)	0
1,500 Bellwin Scheme Related Emergencies	0	1,500
500 Highway Drainage	(500)	0
2,000 Highways Rural Roads	(2,000)	0
0 Business Rates Pilot	11,600	11,600
0 Highways, Drainage and Patching	6,500	6,500
5,710 Spending from Reserves	(217)	5,493
509 Environment Agency - Flood Defence	51	560
338 Inshore Fisheries Conservation Authority (IFCA)	7	345
(5,710) Use of Reserves	217	(5,493)
(11,600) Transfer from Budget Management Reserve	7,600	(4,000)
0 Contribution to Business Rates Risk Reserve	5,000	5,000
2,000 Contribution to Service Transformation Reserve	(2,000)	0
(543) Special Educational Needs Grant	543	0
0 Unaccompanied Asylum Seeking Children	(234)	(234)
(3,077) Business Rates - Government Grants and Pilot	(16,089)	(19,166)
(2,793) Independent Living Fund (ILF)	88	(2,705)
(1,599) Education Services Grant	1,599	0
(1,459) Education statutory retained duties - schools contribution	(17)	(1,476)
(388) Local Service Support Grant	(193)	(581)
(4,661) New Homes bonus	853	(3,808)
(235) New Homes Bonus Adjustment Grant	235	0
(5,983) Rural Services Delivery Grant	5,983	0
(84) Lead Local Authority Flood Relief Grant	(5)	(89)
(3,592) Adult Social Care Support Grant	1,357	(2,235)
(2,811) Transitional Grant	2,811	0
(450) School Improvement grant	450	0
(200) Improved Better Care Fund	(20,196)	(20,396)
<b>489,494 NET BUDGET (BUDGET REQUIREMENT)</b>	<b>22,347</b>	<b>511,841</b>
(32,445) Revenue Support Grant	32,445	0
(75,119) BRRS Central Government Tariff / (Top Up)	91,341	16,222
(20,626) BRRS Local Element	(118,735)	(139,361)
3,315 Collection Fund (Surplus)/Deficit - BRRS	(5,320)	(2,005)
(6,201) Collection Fund Surplus - Council Tax	1,622	(4,579)
<b>(358,418) COUNCIL TAX REQUIREMENT</b>	<b>(23,700)</b>	<b>(382,118)</b>

The 2018/19 Band D Council Tax is increased by 4.99% to £1,331.19

## Key Table 2 – Precept & Council Tax

### TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	<b>£'s</b>
County Council Budget funded by District Councils' collection fund:	386,697,189.66
Net Surplus on Council Tax collection in previous years	(4,579,153.40)
<b>Total to be met from Council Tax precepts in 2018/19</b>	<b>382,118,036.26</b>

### EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate  %
East Devon	59,200.00	58,669.00	99.10
Exeter	37,677.00	36,547.00	97.00
Mid Devon	28,875.24	28,297.74	98.00
North Devon	34,294.35	33,436.99	97.50
South Hams	38,624.42	37,851.93	98.00
Teignbridge	49,067.70	48,577.00	99.00
Torridge	23,790.32	23,552.45	99.00
West Devon	20,740.05	20,117.85	97.00
<b>Total</b>	<b>292,269.08</b>	<b>287,049.96</b>	<b>98.21</b>

### COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

Valuation Band	Government Multiplier		Adult Social Care Precept	General Expenditure (Other)	Council Tax Devon CC
	Ratio	% of Band D	£'s	£'s	£'s
A	6/9	66.7	56.52	830.94	<b>887.46</b>
B	7/9	77.8	65.94	969.43	<b>1,035.37</b>
C	8/9	88.9	75.36	1,107.92	<b>1,183.28</b>
<b>D</b>	<b>1</b>	<b>100.0</b>	<b>84.78</b>	<b>1,246.41</b>	<b>1,331.19</b>
E	11/9	122.2	103.62	1,523.39	<b>1,627.01</b>
F	13/9	144.4	122.46	1,800.37	<b>1,922.83</b>
G	15/9	166.7	141.30	2,077.35	<b>2,218.65</b>
H	18/9	200.0	169.56	2,492.82	<b>2,662.38</b>

The County Council Tax for Band D represents an increase of 4.99% on the 2017/18 figure.

### NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2018/19

District Council	Surplus (deficit) for 2017/18 £'s	Precepts Due 2018/19 £'s	Total due in 2018/19 £'s
East Devon	924,211.40	78,099,586.11	79,023,797.51
Exeter	1,210,000.00	48,651,000.93	49,861,000.93
Mid Devon	264,012.00	37,669,668.51	37,933,680.51
North Devon	509,000.00	44,510,986.72	45,019,986.72
South Hams	435,000.00	50,388,110.70	50,823,110.70
Teignbridge	724,930.00	64,665,216.63	65,390,146.63
Torridge	79,000.00	31,352,785.92	31,431,785.92
West Devon	433,000.00	26,780,680.74	27,213,680.74
	<b>4,579,153.40</b>	<b>382,118,036.26</b>	<b>386,697,189.66</b>

## Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	£'000
Estimated balance as at 31st March 2018	14,679
Add contribution in 2018/19	0
<b>Estimated balance as at 31st March 2019</b>	<b>14,679</b>

Note: The estimate of both working balances and earmarked funds as at March 2018 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 31.03.18 £'000	Estimated Spending £'000	Estimated Income £'000	As at 31.03.19 £'000
Affordable Housing	142	60		82
On Street Parking	3,900	2,471		1,429
Public Health	226	226		0
Budget Management	22,441	4,000		18,441
Business Rate Risk Management	3,740		5,000	8,740
Emergency	16,500			16,500
Minimum Revenue Provision Risk Reserve	10,916			10,916
Service Transformation	11,958	2,736		9,222
<b>Total Earmarked Revenue Reserves</b>	<b>69,823</b>	<b>9,493</b>	<b>5,000</b>	<b>65,330</b>

## Key Table 4 – Medium Term Financial Strategy

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Adult Care & Health	227,851	231,678	238,297	251,333
Children's Services	125,487	129,531	134,367	139,016
Communities, Public Health, Environment & Prosperity	34,727	35,290	35,915	36,764
Corporate Services	34,618	35,094	36,070	37,229
Highways, Infrastructure Development & Waste	54,708	57,328	60,500	64,306
Savings to Services			(10,978)	(24,179)
County Council Election	0	0	0	1,500
Central Contingency - Apprenticeship Levy	580	580	580	580
Central Contingency - Addt 1% Payaward	1,600	3,200	4,800	6,400
Pension contribution shortfall	2,019	2,261	2,504	2,747
Insurance Provision	650	700	750	800
<b>Total Service Budget</b>	<b>482,240</b>	<b>495,662</b>	<b>502,805</b>	<b>516,496</b>
<b>Other Budgets:</b>				
Capital Financing Charges	42,695	41,994	41,707	41,007
Exeter Schools PFI Financing Charges	6,268	6,268	6,268	6,268
Exeter Energy from Waste PFI Financing Charges	5,192	5,192	5,192	5,192
Plymouth Energy from Waste PFI Financing Charges	2,812	2,812	2,812	2,812
Interest on Balances	(1,000)	(1,000)	(1,000)	(1,000)
Unaccompanied Asylum Seeking Children	234	0	0	0
Adult Social Care Support	2,235	0	0	0
Council Tax Support Partnership	350	350	350	350
Bellwin Scheme Related Emergencies	1,500	1,500	1,500	1,500
Business Rates Pilot	11,600	0	0	0
Highways, Drainage and Patching	6,500	0	0	0
Spending from Reserves	5,493	4,306	3,032	3,000
<b>Payments to Outside Bodies</b>				
Environment Agency - Flood Defence	560	616	678	746
Inshore Fisheries Conservation Authority (IFCA)	345	345	355	366
<b>Reserves and Balances</b>				
Use of Reserves	(5,493)	(4,306)	(3,032)	(3,000)
Transfer from Budget Management Reserve	(4,000)	0	0	0
Contribution to/(from) Business Rates Risk Reserve	5,000	(5,000)	0	0
Contribution to Service Transformation Reserve	0	4,000	4,000	4,000
<b>Other Grant Income</b>				
Unaccompanied Asylum Seeking Children	(234)	0	0	0
Business Rates - Government Grants	(19,166)	(4,547)	0	0
Independent Living Fund (ILF)	(2,705)	(2,623)	(2,544)	(2,465)
Education statutory retained duties - schools contribution	(1,476)	(1,476)	(1,476)	(1,476)
Local Service Support Grant	(581)	(581)	(581)	(581)
New Homes bonus	(3,808)	(3,466)	(3,395)	(3,087)
Rural Services Delivery Grant	0	(5,983)	(5,983)	(5,983)
Lead Local Authority Flood Relief Grant	(89)	(95)	(95)	(95)
Adult Social Care Support Grant	(2,235)	0	0	0
Improved Better Care Fund	(20,396)	(24,695)	(19,650)	(19,650)
<b>NET BUDGET (BUDGET REQUIREMENT)</b>	<b>511,841</b>	<b>509,273</b>	<b>530,943</b>	<b>544,400</b>
<b>Financed By:</b>				
Revenue Support Grant	0	(537)	2,005	4,611
BRRS Central Government Tariff/(Top Up)	16,222	(79,306)	(81,686)	(84,095)
BRRS Local Element	(139,361)	(22,006)	(22,556)	(22,786)
Collection Fund (Surplus)/Deficit - BRRS	(2,005)	6,000	1,000	1,000
Collection Fund Surplus - Council Tax	(4,579)	(3,000)	(3,000)	(3,000)
<b>COUNCIL TAX REQUIREMENT</b>	<b>(382,118)</b>	<b>(399,446)</b>	<b>(413,505)</b>	<b>(428,061)</b>
<b>Budget savings required/(Surplus)</b>	<b>0</b>	<b>10,978</b>	<b>13,201</b>	<b>12,069</b>
Savings included in service budgets above	(20,842)	(6,619)	(2,342)	(1,386)
Further savings required	0	(10,978)	(13,201)	(12,069)
<b>Total Savings to be delivered</b>	<b>(20,842)</b>	<b>(17,597)</b>	<b>(15,543)</b>	<b>(13,455)</b>



## Key Table 5 – Government Specific Grants

<b>Service and Grant Title</b>	<b>Funded by</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Adult Care Operations and Health</b>					
Local Reform Community Voices Grant	Department of Health	138	138	138	138
Social Care in Prisons Grant	Department of Health	309	309	309	309
War Pensions Scheme Grant	Department of Health	473	473	473	473
Contributions	Health and other local authorities	16,714	16,714	16,714	16,714
		<b>17,634</b>	<b>17,634</b>	<b>17,634</b>	<b>17,634</b>
<b>Adult Commissioning and Health</b>					
Local Reform Community Voices Grant	Department of Health	344	344	344	344
Contributions	Health and other local authorities	971	971	971	971
		<b>1,315</b>	<b>1,315</b>	<b>1,315</b>	<b>1,315</b>
<b>Children's Social Work and Child Protection</b>					
Assessed and Supported Year in Employment	Department for Education	52	52	52	52
Youth Detention Grant	Ministry of Justice	26	26	26	26
Staying Put Grant	Department for Education	150	150	150	150
Lifelong Links	Department for Education	90	90	0	0
Youth Justice Grant	Youth Justice Board	67	67	67	67
Unaccompanied Asylum Seekers Grant	Home Office	2,118	2,118	2,118	2,118
Troubled Families Programme	Department for Communities & Local Government	2,055	900	0	0
Contributions	Health and other local authorities	2,411	2,411	2,411	2,411
		<b>6,969</b>	<b>5,814</b>	<b>4,824</b>	<b>4,824</b>
<b>Education and Learning</b>					
Dedicated Schools Grant*	Education Funding Agency	493,894	493,894	493,894	493,894
Early Years - Disadvantaged 2 Year Olds	Education Funding Agency	5,231	5,231	5,231	5,231
Post 16 Funding	Education Funding Agency	4,266	4,266	4,266	4,266
Pupil Premium	Education Funding Agency	23,735	23,735	23,735	23,735
Universal Infant Free School Meals	Education Funding Agency	8,270	8,270	8,270	8,270
PE & Sport Grant	Department for Education	5,557	5,557	5,557	5,557
Music Grant	Arts Council	928	928	928	928
Contributions	Health and other local authorities	846	846	846	846
		<b>542,727</b>	<b>542,727</b>	<b>542,727</b>	<b>542,727</b>
<b>Economy and Enterprise</b>					
LAG - MIL (Making it Local 2)	RPA	60	58	0	0
LAG - REAL Devon	RPA	52	51	0	0
Growth Support Programme	ERDF	37	28	0	0
Innovation in Healthy Ageing	ERDF	40	30	0	0
Enhance Social Enterprise	ERDF	90	67	0	0
Learn Devon - Community Learning	Skills Funding Agency	2,156	2,156	2,156	2,156
Learn Devon - Adult Skills Budget (inc	Skills Funding Agency	1,064	1,064	1,064	1,064
Learn Devon - 14-19 EFA Funding	Education Funding Agency	191	135	135	135
Trading Standards	Government Grants	100	100	100	100
		<b>3,790</b>	<b>3,689</b>	<b>3,455</b>	<b>3,455</b>

\*The Dedicated Schools Grant is estimated on October 2017 pupil numbers. The final grant allocation is expected to be notified by end of March 2018.

<b>Service and Grant Title</b>	<b>Funded by</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Planning, Transportation and Environment</b>					
Areas of Outstanding Natural Beauty	DEFRA	306	311	311	311
Areas of Outstanding Natural Beauty	Other Local Authorities	73	73	73	73
Environment and Sustainable Travel	Other Local Authorities	100	12	62	12
Environment and Sustainable Travel	Other	65	0	50	0
Maritime and Fisheries projects	Other	15	15	15	15
Taw Valley Countryside Stewardship Facilitation Fund	European Agricultural Fund	39	39	39	0
Wood 4 Water	Environment Agency	90	120	80	0
Coastal Creatures	Heritage Lottery Fund	5	0	0	0
Culm Community Crayfish	Heritage Lottery Fund	30	0	0	0
Culm Community Crayfish	Environment Agency	10	0	0	0
South West Coast Path & Country Parks	Natural England	109	109	109	109
Local Sustainable Transport Fund	Department of Transport	500	500	0	0
Bikeability	Department of Transport	280	280	0	0
Sustainable Mobility Plans (INNOVASUMP)	ERDF	38	38	38	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	948	869	822	822
		<b>3,816</b>	<b>3,574</b>	<b>2,807</b>	<b>2,550</b>
<b>Communities and Other Services</b>					
Active Devon	Sport England	748	748	748	748
Active Devon	Other	83	83	83	83
Syrian Refugees	Home Office	959	985	655	384
Out of the Shadow (VAWG)	Home Office	150	150	0	0
Atlantic Youth Creative Hubs	ERDF	59	61	65	40
Atlantic Youth Creative Hubs	Other	20	20	21	13
Youth Services	Other	13	13	13	13
Emergency Planning	Other Local Authorities	43	0	0	0
		<b>2,075</b>	<b>2,060</b>	<b>1,585</b>	<b>1,281</b>
<b>Public Health</b>					
Public Health	Department of Health	27,512	26,786	26,786	26,786
Nicotine Replacement Therapy Contribution	NEW Devon CCG	650	650	650	650
Healthy New Towns- Cranbrook	NHS England	153	0	0	0
Diabetes Lifestyle Intervention Programme	Big Lottery	71	153	223	209
Services For Victims of Domestic Violence	Other Local Authorities	35	35	35	35
Public Mental Health	Better Care Fund	91	0	0	0
		<b>28,512</b>	<b>27,624</b>	<b>27,694</b>	<b>27,680</b>
<b>Digital Transformation and Business Support</b>					
Private Finance Initiative	Department for Communities and Local Government	6,937	6,937	6,937	6,937
Private Finance Initiative	Exeter Diocesan Board	1,900	1,913	1,925	1,938
		<b>8,837</b>	<b>8,850</b>	<b>8,862</b>	<b>8,875</b>
<b>Capital Development and Waste Management</b>					
Ecowaste4food	ERDF	<b>32</b>	<b>35</b>	<b>32</b>	<b>32</b>
<b>Highways and Traffic Management</b>					
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	16	0	0
South West Coast Path & Country Parks	Natural England	112	112	112	112
		<b>222</b>	<b>228</b>	<b>212</b>	<b>212</b>
<b>Total</b>		<b>615,929</b>	<b>613,550</b>	<b>611,147</b>	<b>610,585</b>

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

## Key Table 6 – Grants Paid to External Organisations

2017/18 £000	2018/19 £000
Service and Grant Title	
<b>Adult Commissioning and Health</b>	
27 Recovery Devon	27
13 Rethink open access MH support	13
38 Bridge Collective open access MH support	38
15 Connections open access MH support	15
25 Exeter CVS First step project open access MH support	25
13 MindEx open access MH support	13
<b>131</b>	<b>131</b>
<b>Children's Social Work and Child Protection</b>	
194 University Bursary Grants	190
150 Facilitating Access to Mainstream Activities for Disabled Children's Services	127
32 Calvert Trust Short Holiday Breaks	0
<b>376</b>	<b>317</b>
<b>Planning, Transportation and Environment</b>	
48 AONB (East, South and Tamar)	48
60 Dorset & East Devon World Heritage site (Jurassic Coast)	53
25 Cornwall & West Devon Mining Landscape World Heritage site	25
20 South West Energy & Environment group	21
4 Wembury Centre	4
2 Tamar Estuaries consultative forum	2
20 Devon Wildlife Trust Nature Improvement Area Project	20
101 Safety Camera Partnership	101
40 Devon & Cornwall Rail Partnership	40
247 Community bodies - Transport R&R	247
<b>567</b>	<b>561</b>
<b>Communities and Other Services</b>	
400 Citizens Advice Bureau	400
72 Community Council of Devon	72
189 Councils for Voluntary Services	189
<b>661</b>	<b>661</b>
<b>Public Health</b>	
25 Devon Rape Crisis	25
10 Young Devon (*)	3
80 North Devon against Domestic Abuse (*)	0
10 Teignbridge D.C	10
<b>125</b>	<b>38</b>
<b>Highways and Traffic Management</b>	
8 Meldon Viaduct	8
<b>8</b>	<b>8</b>
<b>1,868 TOTAL</b>	<b>1,716</b>

(\*) Previously grant-funded, now funding is provided via the contract for the service

## Key Table 7- Staffing Data

	2017/18		2018/19		
	Adjusted Total FTEs	Changes FTEs	Revenue Funded FTEs	Externally Funded FTEs	Total FTEs
Adult Care Operations and Health	980	(12)	877	91	968
Adult Commissioning and Health*	168	(4)	155	9	164
<b>Adult Care and Health</b>	<b>1,148</b>	<b>(16)</b>	<b>1,032</b>	<b>100</b>	<b>1,132</b>
Children's Social Work and Child Protection	754	19	724	49	773
Education and Learning - General Fund	122	(2)	120	0	120
Education and Learning - School Funding	30	3	0	33	33
<b>Children's Services</b>	<b>906</b>	<b>20</b>	<b>844</b>	<b>82</b>	<b>926</b>
Communities and Other Services	44	(2)	20	22	42
Economy, Enterprise and Skills	161	1	57	105	162
Planning, Transportation and Environment	175	0	153	22	175
Public Health	31	2	0	33	33
<b>Community, Health, Environment, Prosperity</b>	<b>411</b>	<b>1</b>	<b>230</b>	<b>182</b>	<b>412</b>
Chief Executive, Legal and Communications	110	0	110	0	110
Digital Transformation and Business Support	467	(14)	453	0	453
Human Resources and Organisational Development	172	2	174	0	174
Treasurer's Services	276	3	170	109	279
<b>Corporate Services</b>	<b>1,025</b>	<b>(9)</b>	<b>907</b>	<b>109</b>	<b>1,016</b>
Highways and Traffic Management	253	2	255	0	255
Infrastructure Development and Waste	102	1	103	0	103
<b>Highways, Infrastructure and Waste</b>	<b>355</b>	<b>3</b>	<b>358</b>	<b>0</b>	<b>358</b>
<b>Total</b>	<b>3,845</b>	<b>(1)</b>	<b>3,371</b>	<b>473</b>	<b>3,844</b>

\*includes 75 social work staff assigned to Devon Partnership Trust

### Explanation of Movements

#### Adult Care Operations and Health

In-House Apprentices	3
Reduction in In-House (removal of vacant posts)	(13)
Reduction in Rapid Response (now employed by Health)	(8)
Autism & Specialist Placement Team	5
Disabilities Lead	1
	<b>(12)</b>

#### Adult Commissioning and Health

Social Work redesign of team	(5)
Reduction in In-House workforce	(2)
Joint Commissioning posts moved from NHS employment to DCC	2
Investment in market workforce development	1
	<b>(4)</b>

#### Children's Social Work and Child Protection

Externally funded posts to support Early Help and Family Solutions Services	8
Net movement as a result of workforce review and reorganisation	(9)
Increase in staff to support Service Improvement	11
Increase in staff to support expansion of Atkinson Secure Children's Home capacity	9
	<b>19</b>

**Education and Learning**General Fund

Review of Support for Inclusion	2
Cessation of Secondary Teacher Training Service	(1)
Recommissioning escorts under external contracts for pupils with additional needs	(3)
	<hr/> (2)

Dedicated Schools Grant

Review of Early Years services and Hospital School	2
Support Centre worker transferred in from School	1
	<hr/> 3
	<hr/> <b>1</b>

**Communities and Other Services**

Externally funded reduced posts (Active Devon)	(3)
New Externally funded project	1
	<hr/> <b>(2)</b>

**Economy, Enterprise and Skills**

Trading Standards and Economy- efficiencies	(3)
New Externally funded projects	4
	<hr/> <b>1</b>

**Planning Transportation & Environment**

Externally funded NHS Transport staff transferred in	4
Externally funded staff	1
Efficiency savings	(5)
	<hr/> <b>0</b>

**Public Health**

New Externally funded projects and support	2
	<hr/> <b>2</b>

**Chief Executive, Legal & Communications**

Conveyancing Solicitors	1
Restructure of Democratic Support	(1)
	<hr/> <b>0</b>

**Digital Transformation and Business Support**

Restructure of Business Infrastructures and Estates	(19)
IT Roadmap: Project Management and Digital Information	5
	<hr/> <b>(14)</b>

**Human Resources and Organisational Development**

Modern Apprenticeship	28
Human Resource Management System implementation and other HR changes	(24)
Efficiency Savings	(2)
	<hr/> <b>2</b>

**Treasurer's Services**

Devon Audit Partnership	3
Court of Protection	1
Efficiency Savings	(1)
	<hr/> <b>3</b>

**Highways and Traffic Management**

In-House Apprentices	2
	<hr/> <b>2</b>

**Infrastructure Development and Waste Management**

In-House Apprentice	1
	<hr/> <b>1</b>

<b>Total</b>	<hr/> <b>(1)</b>
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# **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. 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 dependent 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 2018/19 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 2018/19 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 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.

In February 2018 the Ministry of Housing, Communities & Local Government announced the schemes that have successfully received funding through the Housing Infrastructure Fund. Devon County Council worked with the District Councils to assist in their submission of the bids. The Devon Districts have received £44.7 millions towards schemes in Devon and it is anticipated that the County Council will be a key delivery partner as works progress. Detailed projects are not currently contained in the capital programme but will be added as further details are confirmed.

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 with an end date of 2020/21. 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 2018/19 - 2022/23.

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 2017 and allocations expected in due course. This allocation is therefore not included in the capital programme, at this stage. 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 2018/19 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 2015/16, has been 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	Total New Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Replacement and Upgrade Corporate Estate	1,200				600	600
Property Enabling Budget	300				150	150
Country Farms Estate Enhancement Programme	1,200				600	600
ICT Operating Model	3,000				1,500	1,500
Supporting ICT Infrastructure	1,542	1,542				
Roundswell South Business Park	7,532	1,732	5,200	600		
Solar Carports	511		511			
<b>Total</b>	<b>15,285</b>	<b>3,274</b>	<b>5,711</b>	<b>600</b>	<b>2,850</b>	<b>2,850</b>

Funding Source	Total New Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts	10,097	2,152	2,033	212	2,850	2,850
External Funding - Grants	5,188	1,122	3,678	388		
<b>Total</b>	<b>15,285</b>	<b>3,274</b>	<b>5,711</b>	<b>600</b>	<b>2,850</b>	<b>2,850</b>

## The Medium Term Capital Programme

The County will be investing over £425 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**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Funding Source</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing - Internal	2,581	3,633	4,000	3,018	0
Borrowing - Internal VELP	1,200	1,200	1,200	1,200	1,200
Capital Receipts - General	14,080	8,287	3,077	3,147	3,154
Capital Receipts - IID	762	394	0	0	0
Direct Revenue Funds - Services	323	273	273	273	273
External Funding - Contributions	1,613	1,012	205	55	50
External Funding - Grants	82,803	89,073	62,412	61,235	60,986
External Funding - S106	2,278	8,410	1,609	0	0
<b>Total</b>	<b>105,640</b>	<b>112,282</b>	<b>72,776</b>	<b>68,928</b>	<b>65,663</b>

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

**Table B: Anticipated Capital Programme**

	2018/19	2019/20	2020/21	2021/22	2022/23
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Care and Health	10,238	10,258	9,748	9,548	6,548
Children's Services	3,317	2,132	2,129	2,002	2,003
Communities, Public Health, Environment and Prosperity	35,442	49,170	12,417	8,646	8,630
Corporate Services	4,682	2,861	2,350	2,850	2,850
Highways, Infrastructure Development and Waste	51,961	47,861	46,132	45,882	45,632
<b>Total</b>	<b>105,640</b>	<b>112,282</b>	<b>72,776</b>	<b>68,928</b>	<b>65,663</b>

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:

	<b>2018/19</b>
	<b>£'000</b>
Estimated unapplied balance brought forward - General	9,696
Estimated unapplied balance brought forward - Investing in Devon	1,609
	<b>11,305</b>
Estimated receipts generated in-year	7,000
Deferred Receipts in-year*	2,750
	<b>9,750</b>
Anticipated application of general receipts - 2018/19 MTCP	(14,073)
Anticipated application of general receipts - 2017/18 slippage	(4,997)
Anticipated application of IID receipts - 2018/19 MTCP	(762)
Anticipated application of IID receipts - 2017/18 slippage	(204)
<b>Movement in Year</b>	<b>(20,036)</b>
Capital Receipts Unapplied at year end - General	376
Capital Receipts Unapplied at year end - Investing in Devon	643
<b>Total Capital Receipts Unapplied</b>	<b>1,019</b>

\*Deferred receipts are derived from the sales of assets which will be received in instalments over agreed periods of time.

## **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 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.

### Adult Care and Health

Project	*Total Scheme Approval £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Adult Care Operations and Health</b>						
Disabled Facilities Grant		5,954	6,368	6,271	6,268	6,268
Districts Capital Grant		480	0	0	0	0
Extra Care Housing	10,832	232	3,000	3,000	3,000	0
Grants to independent care homes to improve quality / capacity	2,500	1,000	500	0	0	0
<b>Total</b>		<b>7,666</b>	<b>9,868</b>	<b>9,271</b>	<b>9,268</b>	<b>6,268</b>
<b>Adult Commissioning and Health</b>						
Adaptations - Disabled adults houses		150	150	150	150	150
Barnstaple Hub	3,000	2,000	0	0	0	0
Care Act and Adult Social Care remodelling and enhanced office accommodation at three sites		30	0	0	0	0
ICT equipment for staff delivering Care Act		20	0	0	0	0
Lifting and handling equipment		10	10	0	0	0
Works for Care Quality Commission & Provider Services		80	50	50	0	0
<b>Total</b>		<b>2,290</b>	<b>210</b>	<b>200</b>	<b>150</b>	<b>150</b>
<b>Adult Care &amp; Health Total</b>		<b>9,956</b>	<b>10,078</b>	<b>9,471</b>	<b>9,418</b>	<b>6,418</b>
<b>Financed by:</b>						
Borrowing - Internal		232	700	3,000	3,000	0
Capital Receipts - General		3,480	2,800	0	0	0
External Funding - Grants		6,244	6,578	6,471	6,418	6,418
<b>Total</b>		<b>9,956</b>	<b>10,078</b>	<b>9,471</b>	<b>9,418</b>	<b>6,418</b>

\* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.

## Children's Services

Project	*Total Scheme Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Children's Social Care</b>						
Adaptations - Disabled childrens houses		132	130	127	130	130
Atkinson Secure Children's Home - Front extension	1,101	17	0	0	0	0
Children in care (contingency)		5	0	0	0	0
Grants to adapt foster carers houses		40	40	40	40	40
Phoenix Lane (Tiverton) – Refurbishment to accommodate multi use facilities for social care	47	43	0	0	0	0
<b>Total</b>		<b>237</b>	<b>170</b>	<b>167</b>	<b>170</b>	<b>170</b>
<b>Education &amp; Learning</b>						
Early Years provision (Kingsbridge) - New Facility	508	101	0	0	0	0
Vehicle Equipment Loans Pool - Schools		200	200	200	200	200
Devolved Formula Capital (DFC)		2,425	1,412	1,412	1,412	1,413
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
Abbotskerswell Primary School - Replacement of Block 90	20	4	0	0	0	0
<b>Total</b>		<b>3,080</b>	<b>1,962</b>	<b>1,962</b>	<b>1,962</b>	<b>1,963</b>
<b>Childrens Services Total</b>		<b>3,317</b>	<b>2,132</b>	<b>2,129</b>	<b>2,132</b>	<b>2,133</b>
<b>Financed by:</b>						
Borrowing - Internal		8	10	0	18	0
Borrowing - Internal VELP		200	200	200	200	200
Capital Receipts - General		80	30	40	22	40
Direct Revenue Funds - Services		250	250	250	250	250
External Funding - Contributions		50	50	50	50	50
External Funding - Grants		2,729	1,592	1,589	1,592	1,593
<b>Total</b>	<b>0</b>	<b>3,317</b>	<b>2,132</b>	<b>2,129</b>	<b>2,132</b>	<b>2,133</b>

\* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.

## Community, Public Health, Environment and Prosperity

Project	*Total Scheme Approval £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Economy, Enterprise and Skills</b>						
Devon and Somerset Superfast Broadband Programme	13,500	0	920	1,000	0	0
Devon Employment Space Strategy - Work Hubs		90	0	0	0	0
Mullacott Industrial Estate Road	458	352	0	0	0	0
Okehampton East Business Park	2,386	181	0	0	0	0
Roundswell South Business Park	7,532	1,733	5,201	599	0	0
<b>Total</b>		<b>2,356</b>	<b>6,121</b>	<b>1,599</b>	<b>0</b>	<b>0</b>
<b>Planning, Transportation and Environment</b>						
<b>Large and Major Highway Schemes</b>						
A361/A39 North Devon Link Road		535	320	0	0	0
A379 Sandy Park Junction Newcourt, Exeter	2,680	7	0	0	0	0
A382 Widening, Southern Phase, Newton Abbot	13,000	2,613	6,275	1,609	0	0
Crediton Link Road	8,421	10	10	0	0	0
East of Exeter Access Improvement Phase 2		61	0	0	0	0
Exeter Eastern Growth NPIF	7,196	2,354	3,755	0	0	0
Growth Deal Infrastructure Preparation		156	0	0	0	0
Sherford Main Street NPIF	8,015	861	7,104	0	0	0
South Devon Highway	117,998	3,285	1,710	316	16	0
Tiverton Eastern Urban Extension	5,700	1,169	0	0	0	0
		<b>11,051</b>	<b>19,174</b>	<b>1,925</b>	<b>16</b>	<b>0</b>
<b>Sustainable Transport</b>						
Around Devon Cycle Route - Exeter to Broadclyst		1	1	0	0	0
Around Devon cycle route - Teign Estuary		61	266	0	0	0
Barnstaple Long Bridge / Seven Brethren improvements		160	0	0	0	0
East-West Cycle Route Phase 2, Newton Abbot	1,450	335	0	0	0	0
E4 Cycle Strategic Cycle Network Phase 1	1,713	429	0	0	0	0
Okehampton East Station		100	127	0	0	0
		<b>1,086</b>	<b>394</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LTP</b>						
Local Transport Plan (LTP) Integrated transport block		<b>3,601</b>	<b>3,601</b>	<b>3,601</b>	<b>3,601</b>	<b>3,601</b>
<b>Environment</b>						
Flood Prevention Works		250	250	250	250	250
Modbury Flood Improvement Scheme	1132	500	0	0	0	0
Woods for Water Project		270	270	263	0	0
		<b>1,020</b>	<b>520</b>	<b>513</b>	<b>250</b>	<b>250</b>

	<b>*Total Scheme Approval</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Schools Expansion</b>						
Advanced Design Fees		219	200	0	0	0
Axminster Primary - Expansion	20	20	0	0	0	0
Cullompton Community College - Expansion	40	4	0	0	0	0
Fremington Primary - Expansion to 420	540	320	100	0	0	0
Great Torrington Bluecoats - Internal remodelling	37	0	11	0	0	0
Sidbury CofE Primary School - Additional classroom	460	319	0	0	0	0
Okehampton College – Additional 6th Form Provision	1,789	1,199	450	0	0	0
services	357	30	0	0	0	0
St David's Primary - Additional classroom	10	0	6	0	0	0
Charlton Lodge, Tiverton - SEND Provision	3,900	2,995	94	0	0	0
Former Buddle Lane Youth Centre - Additional short stay school provision	200	60	0	0	0	0
Mill Water Community School - Relocation	9,608	50	165	0	0	0
Pathfield School - Staff / support accommodation	135	0	9	0	0	0
Pathfield School (Barnstaple) additional teaching accommodation	150	0	1	0	0	0
Ratcliffe School - Additional Accommodation	582	0	17	0	0	0
Bishopsteignton Primary School - Expansion to PAN 30	360	0	21	0	0	0
Braunton Caen Primary School - Additional Classroom / External Works	40	0	11	0	0	0
Cranbrook New Community - Education Campus	1,696	0	110	0	0	0
Digital Free School (West Clyst) - New school contribution	877	300	0	0	0	0
Exminster Primary School - Expansion	162	12	0	0	0	0
High Bickington C of E primary – Expansion	633	42	0	0	0	0
Kingsteignton – New Primary School site	1,955	196	0	0	0	0
Lady Seawards Church of England Primary - Additional Classroom	60	5	0	0	0	0
Landscore Primary (CREDITON) - Expansion up to 420	1,240	114	0	0	0	0
Loddiswell Primary School - Replacement School	2,919	1,000	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)	6,850	150	0	0	0	0
Proposed new primary Okehampton	6,200	4,119	80	0	0	0
Proposed new primary school Sherford	1,000	1,000	0	0	0	0
Proposed New Primary School West Barnstaple	1,630	1,226	0	0	0	0
South Molton Infants - Expansion to 420	559	15	0	0	0	0
St Andrews Primary (Cullompton) - Phased Expansion to PAN 60	1,444	80	0	0	0	0
Totnes St Johns - Additional Class and Hall Extension	1,611	411	1,200	0	0	0
Westcliff School - Expansion to 420	1,950	300	0	0	0	0
Confirmed Basic Need Allocation		1	13,468	0	0	0
Estimated Basic Need		0	0	3,742	3,742	3,742
Energy cost reduction initiative		0	120	0	0	0
		<b>14,187</b>	<b>17,063</b>	<b>3,742</b>	<b>3,742</b>	<b>3,742</b>

	<b>*Total Scheme Approval £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Commissioning Services For Communities</b>						
Youth service minor capital works		38	37	37	37	37
Cranbrook library		0	230	0	0	0
Library modernisation partnership schemes - Bideford	1,580	500	1,030	0	0	0
Vehicle Equipment Loans Pool - Fleet management		1,000	1,000	1,000	1,000	1,000
Investing in Devon Local Members Project Fund allocation 2018/19		600	0	0	0	0
		<b>2,138</b>	<b>2,297</b>	<b>1,037</b>	<b>1,037</b>	<b>1,037</b>
<b>Total</b>		<b>33,083</b>	<b>43,049</b>	<b>10,818</b>	<b>8,646</b>	<b>8,630</b>
<b>Communities, Health, Environment &amp; Prosperity Total</b>						
		<b>35,439</b>	<b>49,170</b>	<b>12,417</b>	<b>8,646</b>	<b>8,630</b>

**Financed by:**

Borrowing - Internal	1,622	2,923	1,000	0	0
Borrowing - Internal VELP	1,000	1,000	1,000	1,000	1,000
Capital Receipts - General	2,956	2,903	637	275	264
Capital Receipts - IID	762	394	0	0	0
Direct Revenue Funds - Services	73	23	23	23	23
External Funding - Contributions	1,563	962	155	5	0
External Funding - Grants	25,185	32,555	7,993	7,343	7,343
External Funding - S106	2,278	8,410	1,609	0	0
<b>Total</b>	<b>35,439</b>	<b>49,170</b>	<b>12,417</b>	<b>8,646</b>	<b>8,630</b>

\* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.



## Corporate Services

Project	*Total Scheme Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Digital Transformation and Business Support</b>						
<b>Information and Communications Technology</b>						
Operating Model ICT Replacement and Renewal		1,000	1,000	1,000	1,500	1,500
Supporting ICT Infrastructure		1,572	0	0	0	0
		<b>2,572</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>1,500</b>
<b>County Farms Estate</b>						
County Farms Estate Enhancement Programme	3,600	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>Corporate Property Estate</b>						
County Hall - Upgrade of heating system		368	0	0	0	0
Property Enabling Budget	900	150	150	150	150	150
Replace and Upgrade Corporate Estate	3,600	600	600	600	600	600
Solar Carports		0	511	0	0	0
Strategic Centre Improvement - County Hall heating distribution system		125	0	0	0	0
Strategic Centres Accommodation Improvement Programme – Exeter	517	267	0	0	0	0
		<b>1,510</b>	<b>1,261</b>	<b>750</b>	<b>750</b>	<b>750</b>
<b>Corporate Services Total</b>		<b>4,682</b>	<b>2,861</b>	<b>2,350</b>	<b>2,850</b>	<b>2,850</b>
<b>Financed by:</b>						
Borrowing - Internal		493	0	0	0	0
Capital Receipts - General		4,189	2,554	2,350	2,850	2,850
External Funding - Grants		0	307	0	0	0
<b>Total</b>		<b>4,682</b>	<b>2,861</b>	<b>2,350</b>	<b>2,850</b>	<b>2,850</b>

\* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.

## Highways Infrastructure Development and Waste

Project	*Total Scheme Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Waste Service</b>						
Brynsworthy Waste Transfer Station	3,706	3,300	0	0	0	0
Ivybridge recycling centre	3,703	4	0	0	0	0
<b>Waste Total</b>		<b>3,304</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Schools Maintenance and Improvements</b>						
Sidmouth College - Roof & Fenestrations	420	15	0	0	0	0
Dartington C of E Primary School - Remedial work	7,251	222	0	0	0	0
Newton St Cyres Primary School - PSBP Contribution	532	532	0	0	0	0
Bearnes Primary - Mezzanine Floor	100	50	0	0	0	0
Bishops Nympton Primary School - Renew Wet Heating System & Replace Boiler.	121	22	0	0	0	0
Hatherleigh Community Primary School – Retaining Wall Remedial Works	29	5	0	0	0	0
King Edward VI Community College - Site Refurbishment and Roof improvements	410	57	0	0	0	0
King Edward VI Community College - replacement damp proof membrane	11	3	0	0	0	0
Marland School - Expansion	4,522	1,392	0	0	0	0
Montgomery Primary School - replace air source heat pump	36	6	0	0	0	0
Princetown Primary – Replacement Roof	17	6	0	0	0	0
Berrynarbor CofE Primary School - Block 03 internal wall refurb and joinery	31	6	0	0	0	0
Bishops Nympton Primary School - Block 01 Window replacement. Block 02 window/door replacement and timber cladding	20	4	0	0	0	0
Bishops Tawton Primary - Refurburbish Hard Play Area	22	4	0	0	0	0
Bovey Tracey Primary School - Block 01 roof improvements and replace external retaining wall	15	3	0	0	0	0
Bratton Fleming Community Primary School - Block 01 Replace oil tank and pressure jet burner. CO Detection and Auto Shut off	43	8	0	0	0	0
Braunton Caen Primary School - Blk04 Windows / Blk01 Masonary improvements	149	29	0	0	0	0
Cheriton Fitzpaine Primary School - Replace biomass boiler flues	20	3	0	0	0	0
Combe Martin Primary School - Block 01 Replace Fire Alarm	51	10	0	0	0	0
Cornwood CofE Primary School - Block 01 - Replace Water Distribution Pipework and Improve External Walls	36	7	0	0	0	0
Cullompton Community College - Refurbishment of Block 09	56	10	0	0	0	0
DDA Projects Contingency		200	200	0	0	0
Decoy Primary School - Blocks 01, 05 & 07 CO Detection and Auto shutoff	14	2	0	0	0	0
East Anstey Primary School - Block 01 Window replacement & external refurbishment. Block 02 Window and door replacement and timber/exterior cladding	37	7	0	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	20	0	0	0	0
		<b>2,623</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Project</b>	<b>*Total Scheme Approval</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Schools Maintenance and Improvements continued</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Great Torrington Bluecoat Primary School - Block 01 - Replace Windows, doors, timber cladding, & Fascias, guttering, downpipes and flat roofing	205	40	0	0	0	0
Holbeton School - Block 02 - Replace Roof	56	11	0	0	0	0
Holsworthy Community College - Block 01 - Fenestrations	19	3	0	0	0	0
Ilfracombe Church of England Junior School, replacement of Blocks 08 & 09	400	150	0	0	0	0
Ilfracombe Infant & Nursery School - Block 01 - Replace Boiler, Windows and Shelving in Kitchen	667	13	0	0	0	0
King's Nympton Primary - Block 01 - Fenestrations	20	4	0	0	0	0
Kingsbridge Community Primary School - Block 02 Replace windows	31	6	0	0	0	0
Ladysmith Infant School - Improve underground drainage	138	24	0	0	0	0
Littleham CofE Primary School, Exmouth - Block 01	66	11	0	0	0	0
Marland School, retaining wall remedial works	21	6	0	0	0	0
Milton Abbot Primary School - Replacement Roof	185	37	0	0	0	0
Montgomery Primary School - Replacement roof light actuators	36	5	0	0	0	0
Northlew and Ashbury Church of England Primary School - DDA Adaption	8	2	0	0	0	0
Northlew and Ashbury Primary - Structural Repairs	39	7	0	0	0	0
Oaklands Park - Block 02 Mechanical ventilation works	26	5	0	0	0	0
Okehampton College - Block 01 replace windows, doors, timber cladding, render and roofing works. Block 13 windows and spalling concrete panels	613	122	0	0	0	0
Okehampton College - Block 11 Window replacement	17	3	0	0	0	0
Pathfield School - Blocks 1,5 & 6 CO Detection and Autoshtut off	15	3	0	0	0	0
Princetown Primary - Block 01 - Improve Wall to Resolve Dampness	24	4	0	0	0	0
Sandford School - Improve retaining walls	74	14	0	0	0	0
Seaton Primary School - Block 01 - Replace Incoming Panel, Distribution Board, Upgrade Fire Alarm and Fenestrations & Flat Roof	212	41	0	0	0	0
St Michaels Church of England Primary School, Kingsteignton - Triple Devon Lady improvement works	26	4	0	0	0	0
St Michaels CofE Primary School, Kingsteignton - Block 01 Roof improvements including drainage and rooflights	84	12	0	0	0	0
Sticklepath Primary – Structural Repairs to Block 02	8	2	0	0	0	0
Stoke Canon CofE Primary School - Block 03 - Replace Windows	47	8	0	0	0	0
Stoke Hill Infants School - Block 01 re-roofing above water tank and associated works.	86	1	0	0	0	0
Stokenham Area Primary School - Block 01 Roof replacement	45	8	0	0	0	0
Tavistock College - Curtain wall replacment	30	8	0	0	0	0
		<b>554</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Project</b>	<b>*Total Scheme Approval</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Schools Maintenance and Improvements continued</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The Chestnut Centre - Block 01 Structural Internal/External wall repairs	31	6	0	0	0	0
The Erme Primary School, Ivybridge - Block 01 window replacement and lift improvement works	26	4	0	0	0	0
The Park Community School - Block 04 renew wet system and radiators. Block 08 concrete cladding panel works	86	17	0	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	35	5	0	0	0	0
Wembury Primary School - Block 01 Window and Door Replacement	26	5	0	0	0	0
Willowbank Primary - Electrical work	71	14	0	0	0	0
Winkleigh Primary School NOW D1 - Block 01 - Replace Roof and rooflights	37	7	0	0	0	0
Woolsery Primary School - Blocks 01 and 03 Mechanical Works	51	6	0	0	0	0
Abbotskerswell Primary School - replace timber cladding, external door/frame, roof decking & roof	93	75	18	0	0	0
Appledore Community Primary School - Renew tarmac, fencing & repoint stone wall in outside areas. Block 02 floor structure	73	58	15	0	0	0
Barley Lane School - Block 01 supply and fit anti-climb system	34	28	6	0	0	0
Beaford Community Primary and Nursery School - Block 01 Replace windows & Flat roof	54	43	11	0	0	0
Bishops Tawton Primary School - Block 01 renew wet heating system & boiler	43	35	8	0	0	0
Canada Hill Community Primary School - boiler replacement, heating pump & CO Detection/Auto shutoff	16	13	3	0	0	0
Combe Martin Primary School - Part renew and re-route external foul drains	11	8	3	0	0	0
Countess Wear Community Primary school - CO Detection/Auto Shutoff, replace Boiler flues gas heater, partial replacement of flat roof and metal downpipes.	133	107	26	0	0	0
Decoy Primary School - Block 01 replace windows/doors and replace Fan Convactor. Rooflights, kitchen render and curtain walling	75	60	15	0	0	0
Exminster Community Primary School - Replace windows/doors & internal fire door/shutter, kitchen improvements & roof works.	135	108	27	0	0	0
Forches Cross Community Primary - Replace Kitchen Hood, Ventilation Supply and Extractor	25	20	5	0	0	0
Fremington Community Primary and Nursery School - Block 06 replacement	387	310	77	0	0	0
Hatherleigh Community Primary School - Block 04 insulate and re-line walls and replace roof	46	37	9	0	0	0
Kentisbeare C of E Primary School - Block 01 replace lighting to old part of school	10	8	2	0	0	0
Kilminster Primary School - External Refurbishment of fascias, rendered walls, gutters	29	24	5	0	0	0
King Edward Vi Community College - Block 06 and Block 15 replacement	897	717	179	0	0	0
Ladysmith Infants School - Structural repairs to brickwork & replacement guttering and downpipes	93	75	18	0	0	0
MUMIS (contingency)		128	90	0	0	0
		<b>1,918</b>	<b>517</b>	<b>0</b>	<b>0</b>	<b>0</b>

Project	*Total Scheme Approval	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Newton St Cyres Primary School - Moving the Early Years Unit to new site	329	264	65	0	0	0
Newtown Primary School - Block 02 Install Central Heating System. Block 02 replace guttering & downpipes	104	84	20	0	0	0
Pathfield School - Blocks 01 & 05 upgrade fire alarms and install emergency lighting	79	64	15	0	0	0
Payhembury C of E Primary School - Block 01 Renew render, replace 2 windows, investigate damp and internal walls	38	31	7	0	0	0
Shute Community Primary School - Block 02 Replace timber cladding. Entrance drive -Renew topping to tarmac	100	80	20	0	0	0
Sidmouth College - Investigate drainage/soakaway issues. Blocks 8,9,12 & 16 CO Detection and Auto shutoff	57	46	11	0	0	0
Southmead School - Block 01 flat roof refurb	56	45	11	0	0	0
Sticklepath Community School - Block 01 renew render and replace doors. Block 01 kitchen and main hall-electrical	48	39	9	0	0	0
Tavistock Community Primary School - Block 02 replacement	847	678	169	0	0	0
The Lampard School - Block 01 boiler replacement	80	64	16	0	0	0
The Park School, Barnstaple - Block 01 replace doors/frames, Block 09 replace guttering and downpipes. Block 09 replace sump pump and boiler	20	16	4	0	0	0
Thorverton C of E Primary School - Block 01 remedial works to alleviate damp. Replaster walls	14	11	3	0	0	0
Tiverton High School - Car park & security improvement, replace windows, cladding & doors and external repaint. Replacement radiators.	352	282	70	0	0	0
Ugborough Primary School - Block 01 CO Detection & Auto shutoff. Replace boiler	47	38	9	0	0	0
West Exe Children's Centre - Flat Roof improvement works. Kitchen Extractor fan replacement/refurb	40	32	8	0	0	0
Westcroft School - Block 01 boiler replacement. Blocks 201 & 210 CO Detection and Auto Shutoff	70	56	14	0	0	0
Willowbank Primary School - Block 01 replace UPVC windows and cladding to dormer	17	14	3	0	0	0
Withycombe Raleigh C of E Primary School - Structural repairs, replace external doors & kitchen improvements	42	34	8	0	0	0
Axe Valley Community College – Electrical upgrade works	10	2	0	0	0	0
Instow Community Primary School – Improve Hot and Cold Water in Pupil Toilets	8	2	0	0	0	0
Lampard Community School - Renew burst heating pipe	26	5	0	0	0	0
Upottery Primary – Water Penetration Remedial Works	34	9	0	0	0	0
Bishops Nympton Primary School - drainage works	15	5	0	0	0	0
Stansfield Centre improved security fencing	8	2	0	0	0	0
Capital Maintenance (contingency)		450	300	0	0	0
Estimated Capital Maintenance		0	5,250	5,000	4,750	4,500
		<b>2,353</b>	<b>6,012</b>	<b>5,000</b>	<b>4,750</b>	<b>4,500</b>
<b>Schools Maintenance and Improvements Total</b>		<b>7,448</b>	<b>6,729</b>	<b>5,000</b>	<b>4,750</b>	<b>4,500</b>

Project	*Total Scheme Approval £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Highways</b>						
Local Transport Plan (LTP) Maintenance		41,132	41,132	41,132	41,132	41,132
Depot Strategy		75	0	0	0	0
<b>Highways Total</b>		<b>41,207</b>	<b>41,132</b>	<b>41,132</b>	<b>41,132</b>	<b>41,132</b>
<b>Highways, Infrastructure Development and Waste Total</b>		<b>51,959</b>	<b>47,861</b>	<b>46,132</b>	<b>45,882</b>	<b>45,632</b>

	*Total Scheme Approval £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Financed by:</b>						
Borrowing - Internal		226	0	0	0	0
Capital Receipts - General		3,375	0	0	0	0
External Funding - Grants		48,358	47,861	46,132	45,882	45,632
<b>Total</b>		<b>51,959</b>	<b>47,861</b>	<b>46,132</b>	<b>45,882</b>	<b>45,632</b>

\* Scheme Approvals have been included for individual projects.

This table does not show expenditure on capital projects currently programmed in financial year 2017/18 which may be deferred to 2018/19 owing to changes in project delivery timescales.

## **Service Budgets**

# Leadership Group Commentary

## From austerity to opportunity

In a challenging financial environment for local government, a major funding change is on the horizon which will present us with more opportunities to re-assess the way we do things at Devon County Council.

By 2020 we expect to receive very little direct funding from central Government and will be almost entirely dependent on Council Tax and Business Rate income from Devon residents and businesses. In itself this does not mean significant extra resource, but it does mean greater certainty and will make it easier to plan long term.

To help us prepare for this significant shift in the way our budget is managed, we are delighted that the County Council, along with our district and unitary colleagues, has been successful as one of only 10 business rate retention pilots for 2018/19.

We will be able to learn from the pilot and be in a much stronger position from which to determine our own financial future, and really question how best we can help improve the lives of people in Devon and channel our resources accordingly.

**Devon County Council remains a large, resilient, forward-focused organisation investing in our local services and the economy. We are looking to challenge ourselves about the way we deliver our services to ensure we are really doing what matters for the people of Devon.**

## Working for the people of Devon

We have worked hard over the past seven years to save £230 millions by reducing the number of people who work for the Council; embracing digital technology to be more flexible, innovative and connected, and selling some of our property and using proceeds to invest in Devon's infrastructure and economy.

We have also championed social enterprises and ensured services thrive with the success of Libraries Unlimited, the independent organisation that now runs the county's 50 libraries on the Council's behalf, and DYS Space which now operates the county's youth services.

And we are supporting innovative ways of improving the health and wellbeing of communities with projects like Integrated Care Exeter (ICE) which has been nationally recognised for promoting community resilience. ICE is all about social prescribing where GPs refer patients they believe would benefit from increased social activity to a trusted 'Community Connector'. They work with the patient to identify the root of their problem, understand what matters to them, and plan a way forward together, putting people's independence, health and wellbeing at its core.

We are working in a very dynamic environment - more people living in Devon over the age of 65 means increased pressure on services; health and social care services supporting the most vulnerable are already at breaking point, and the costs of protecting children, and supporting those with complex needs and learning disabilities are growing.

We need to find the best ways to protect these vital services while working with our partners to create the conditions for a more prosperous future through the Heart of the South West Productivity Strategy and national Industrial Strategy.

It's a complex situation with many conflicting demands on the County Council – but it's also an exciting time for us as we rethink what we do and how we do it.



## **Doing what matters**

Our core purpose is to help citizens to live their life well in a way that makes sense to them. To realise our purpose, we need to connect with citizens, be curious and ask the difficult questions so we can fully understand why we do the things we do, and how people want to receive their services and who from.

We have broken our purpose in to nine areas where we believe we should focus our energy and expertise to find out more about how we work, and seek to solve problems to meet people's needs. They are:

- Become and remain independent.
- Get the best start in life.
- Get from A to B.
- Learn.
- Stay healthy.
- Keep my environment safe and looking good.
- Prosper.
- Keep safe.
- See that Devon is making good decisions.

## **Show you care**

But we can't do this alone. Our strong connections and co-dependencies with our partners are crucial in helping us make the most of all our resources and respond collectively to local need.

Devon is also fortunate to have many strong and active communities, with people prepared to stand up and show they care by giving their time and energy to make our county a better place. We are working closely with our communities to improve the lives of people across Devon as we know we can never achieve this on our own. By working together, we can hope to meet the social and environmental challenges facing us in Devon and all show we care.

For more information on the contents of this section, please contact Angie Sinclair, Deputy County Treasurer on 01392 380711 or email [angie.sinclair@devon.gov.uk](mailto:angie.sinclair@devon.gov.uk)

## Adult Care and Health

### How the 2018/19 Budget has been built up

	2017/18 Adjusted Budget	Changes	2018/19 Outturn Budget
	£'000	£'000	£'000
<b>Adult Care Operations and Health</b>	190,041	12,901	202,942
<b>Adult Commissioning and Health</b>	24,728	181	24,909
<b>Total</b>	<b>214,769</b>	<b>13,082</b>	<b>227,851</b>

	Change £' 000
<b>Reasons for changes in Revenue Budget</b>	
<b>Technical and Service Changes</b>	
Inflation	3,411
National Living Wage	4,085
Adult Services demographic and demand pressures	3,841
Improved Better Care Fund	10,148
	<b>21,485</b>
<b>Savings Requirements</b>	
Promoting independence and creating improved short-term intervention for people in their own home	(1,044)
Continuing transfer of personal care to the Living Well At Home contract and finding alternative solutions for those with small packages of care.	(3,667)
Supporting people with disabilities to live more independently and to reduce their dependence over time	(1,875)
More robust application of existing process for community based service charging	(1,458)
Workforce reductions	(263)
Review of contracts	(96)
	<b>(8,403)</b>
<b>Total</b>	<b>13,082</b>

## Analysis of Total Expenditure 2018/19

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
<b>Adult Care Operations and Health</b>	267,034	(17,634)	(46,438)	(20)	202,942
<b>Adult Commissioning and Health</b>	27,088	(1,719)	(460)	0	24,909
<b>Total</b>	<b>294,122</b>	<b>(19,353)</b>	<b>(46,898)</b>	<b>(20)</b>	<b>227,851</b>

## Adult Care and Health

### Adult Care Operations and Health

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Disability Services</b>					
2,009	Day Opportunities	2,139	(8)	<b>2,131</b>	122
19,179	Direct Payments	20,340	(1,954)	<b>18,386</b>	(793)
32,620	Enabling/Other	33,573	(350)	<b>33,223</b>	603
1,232	Nursing Care	1,973	(312)	<b>1,661</b>	429
7,058	Personal Care	9,020	(2,131)	<b>6,889</b>	(169)
25,659	Residential Care	31,524	(3,120)	<b>28,404</b>	2,745
87,757		98,569	(7,875)	<b>90,694</b>	2,937
0	<b>Improved Better Care Fund</b>	10,148	0	<b>10,148</b>	10,148
<b>In House Services</b>					
2,831	Day Opportunities	2,916	(43)	<b>2,873</b>	42
5,072	Reablement and Community Enabling	5,946	(825)	<b>5,121</b>	49
3,818	Residential Care	3,572	0	<b>3,572</b>	(246)
11,721		12,434	(868)	<b>11,566</b>	(155)
<b>Older People</b>					
1,247	Day Opportunities	1,118	(70)	<b>1,048</b>	(199)
6,208	Direct Payments	7,759	(1,957)	<b>5,802</b>	(406)
2,829	Enabling/Other	3,736	(708)	<b>3,028</b>	199
10,773	Nursing Care	18,666	(6,951)	<b>11,715</b>	942
18,100	Personal Care	26,103	(12,561)	<b>13,542</b>	(4,558)
29,598	Residential Care	63,950	(30,853)	<b>33,097</b>	3,499
68,755		121,332	(53,100)	<b>68,232</b>	(523)
21,151	<b>OP&amp;D Care Management</b>	23,893	(2,249)	<b>21,644</b>	493
657	<b>Workforce Development</b>	658	0	<b>658</b>	1
<b>190,041</b>		<b>267,034</b>	<b>(64,092)</b>	<b>202,942</b>	<b>12,901</b>

#### Analysis of changes:

£'000

#### Technical and Service Changes

Demographic and other growth in demand	3,504
Inflation	2,952
Provision to fund extended National Living Wage increase in April 2018	4,085
Improved Better Care Fund	10,148
	<b>20,689</b>

#### Savings strategies

Promoting independence and creating improved short-term intervention for people in their own home	(603)
Continuing transfer of personal care to the Living Well At Home contract and finding alternative solutions for those with small packages of care	(3,667)
Supporting people with disabilities to live more independently and to reduce their dependence over time	(1,875)
More robust application of existing process for community based service charging	(1,458)
Workforce reductions	(89)
Review of contracts	(96)
	<b>(7,788)</b>

<b>Total</b>	<b>12,901</b>
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## 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 NHS staff.

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

Included in the Operations budget is £10.148 millions of new improved Better Care Fund temporary funding from central government which was announced in March 2017. The deployment of this is subject to joint agreement with NHS partners and discussions are currently underway on deployment for the benefit of health and social care overall.

The budget also includes £23.357 millions of Better Care Fund funding which contributes directly to the provision of social care services.

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

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

## Service Statistics and Other Information

		Number of people budgeted to receive service Average through Year		
		2017/18	Change	2018/19
Reablement (across all client groups)	Service Users	2,786	552	3,338
These are new people expected to go through the reablement process				
<b>Disability Services</b>				
Day Opportunities	Service Users	311	(35)	276
Direct Payments	Service Users	1,357	(12)	1,345
Enabling	Service Users	1,345	14	1,359
Nursing Care (including Respite)	Service Users	34	9	43
Personal Care	Service Users	687	80	767
Residential Care (including Respite)	Service Users	575	24	599
Autistic Spectrum	Service Users	149	23	172
<b>Older People and Disability - In house</b>				
Day Opportunities	Service Users	205	(7)	198
Community Enabling	Service Users	330	0	330
Residential Care (including Respite)	Service Users	46	(1)	45
<b>Older People</b>				
Day Opportunities	Service Users	453	(104)	349
Direct Payments	Service Users	705	(21)	684
Enabling	Service Users	279	26	305
Nursing Care (including Respite)	Service Users	520	22	542
Personal Care	Service Users	3,089	(266)	2,823
Residential Care (including Respite)	Service Users	1,986	10	1,996

## Adult Care and Health

### Adult Commissioning and Health

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 <b>Outturn Budget £'000</b>	2018/19 Net Changes £'000
<b>Adult Commissioning and Health</b>					
5,687	Centrally Managed Contracts	6,051	(419)	<b>5,632</b>	(55)
997	Policy, Performance and Involvement	1,048	0	<b>1,048</b>	51
2,409	Strategic Commissioning	2,541	(160)	<b>2,381</b>	(28)
1,503	Transformation	1,432	(20)	<b>1,412</b>	(91)
10,596		11,072	(599)	<b>10,473</b>	(123)
14,132	<b>Mental Health</b>	16,016	(1,580)	<b>14,436</b>	304
<b>24,728</b>		<b>27,088</b>	<b>(2,179)</b>	<b>24,909</b>	<b>181</b>

#### Analysis of changes:

£'000

#### Technical and Service Changes

Demographic and other growth in demand in Mental Health

337

Inflation

459

**796**

#### Savings Strategies

Management and support reductions

(174)

Promoting independence for adults with mental health needs

(441)

**(615)**

#### Total

**181**

## 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 5 year transformation programme to improve the efficiency of existing services and support people to live as independently as possible, whilst ensuring that those most in need of care are looked after in the most appropriate way for their needs.

## Service Statistics and Other Information

		Number of people budgeted to receive service Average through Year		
		2017/18	Change	2018/19
<b>Mental Health Services</b>				
Day Opportunities	Service Users	14	(5)	9
Direct Payments	Service Users	94	(22)	72
Enabling	Service Users	669	(137)	532
Nursing Care (including Respite)	Service Users	8	(3)	5
Personal Care	Service Users	40	(1)	39
Residential Care (including Respite)	Service Users	161	(9)	152

## Children's Services

### How the 2018/19 Budget has been built up

	2017/18 Adjusted Budget	Changes	2018/19 Outturn Budget
	£'000	£'000	£'000
<b>Children's Social Work and Child Protection</b>	78,809	5,345	84,154
<b>Education and Learning - General Fund</b>	40,155	1,178	41,333
<b>Education and Learning - School Funding</b>	0	0	0
<b>Total</b>	<b>118,964</b>	<b>6,523</b>	<b>125,487</b>

Reasons for changes in Revenue Budget	Change £' 000
<b>Technical and Service Changes</b>	
Inflation	2,385
National Living Wage	565
Demographic and demand pressures	6,204
Other contract and service pressures	884
	<u>10,038</u>

#### Savings Requirements

Children's Social Work and Child Protection	
Improved strategic commissioning, market management and increased in-house fostering capacity	(1,480)
Planned reduction in legal costs arising from improved care proceedings	(80)
Planned efficiencies through workforce remodelling	(290)
Cost efficiencies in transport arrangements	(200)
Additional grant income	(150)
Planned cost efficiencies across various budgets	(165)
Education and Learning	
Consolidation and cost reduction from Children Centres contracts	(1,000)
Home to School/College transport - personalised approach to Independent travel	(150)
	<u>(3,515)</u>
<b>Total</b>	<b>6,523</b>



## Analysis of Total Expenditure 2018/19

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
<b>Childrens Social Work and Child Protection</b>	96,189	(6,693)	(986)	(4,356)	84,154
<b>Education and Learning - General Fund</b>	43,696	(1,052)	(685)	(626)	41,333
<b>Education and Learning - School Funding</b>	542,328	(541,675)	(261)	(392)	0
<b>Total</b>	<b>682,213</b>	<b>(549,420)</b>	<b>(1,932)</b>	<b>(5,374)</b>	<b>125,487</b>

The following service (which is not included above) is wholly self-funded and does not impact on Council Tax.

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
<b>Childrens Social Work and Child Protection</b>					
Atkinson Secure Children's Home	3,694	(276)	(2,829)	(589)	0
<b>Total</b>	<b>3,694</b>	<b>(276)</b>	<b>(2,829)</b>	<b>(589)</b>	<b>0</b>
<b>Grand total</b>	<b>685,907</b>	<b>(549,696)</b>	<b>(4,761)</b>	<b>(5,963)</b>	<b>125,487</b>

## Children's Services

### Children's Social Work and Child Protection

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Disabled Children's Services</b>					
4,735	Children In Need Short-Break Services	5,307	(128)	<b>5,179</b>	444
4,244	Contracts	4,415	(154)	<b>4,261</b>	17
2,773	Social Work Area Teams	2,797	(34)	<b>2,763</b>	(10)
11,752		12,519	(316)	<b>12,203</b>	451
<b>Early Help (Access)</b>					
801	Emergency Duty Team	954	(133)	<b>821</b>	20
736	Multi Agency Safeguarding Hub	939	0	<b>939</b>	203
523	REACH	527	0	<b>527</b>	4
2,060		2,420	(133)	<b>2,287</b>	227
<b>Early Help (Provision)</b>					
1,555	Early Help Co-Ordination	5,761	(4,173)	<b>1,588</b>	33
719	Youth Offending - Statutory and Prevention	1,677	(955)	<b>722</b>	3
2,274		7,438	(5,128)	<b>2,310</b>	36
1,222	<b>Independent Reviewing Unit</b>	1,624	0	<b>1,624</b>	402
<b>Looked After Children (Operations)</b>					
917	Adoption Allowances and Fees	1,405	(287)	<b>1,118</b>	201
2,050	Adoption Team	1,928	0	<b>1,928</b>	(122)
394	Child Arrangements and Private Kinship	495	0	<b>495</b>	101
524	Children In Need Support	444	0	<b>444</b>	(80)
1,075	Contracts	1,075	0	<b>1,075</b>	0
3,424	Fostering Team	3,424	(7)	<b>3,417</b>	(7)
2,633	Special Guardianship Orders	2,510	0	<b>2,510</b>	(123)
1,095	Supervised Contact	1,040	0	<b>1,040</b>	(55)
12,112		12,321	(294)	<b>12,027</b>	(85)
<b>Looked After Children and Care Leaver (Placements)</b>					
4,881	Disabled Children's Placements	6,128	(1,205)	<b>4,923</b>	42
7,497	Independent Fostering	8,157	0	<b>8,157</b>	660
1,315	Independent Post 18 Placements	1,241	(20)	<b>1,221</b>	(94)
4,911	Independent Residential Care	10,748	(1,985)	<b>8,763</b>	3,852
2,377	Independent Supported Accommodation	3,089	(108)	<b>2,981</b>	604
8,434	Internal Fostering	8,064	(36)	<b>8,028</b>	(406)
568	Internal Post 18 Placements	370	(197)	<b>173</b>	(395)
402	Internal Supported Accommodation	510	0	<b>510</b>	108
535	Secure Accommodation	561	(26)	<b>535</b>	0
421	Unaccompanied Asylum Seeking Children	2,539	(2,118)	<b>421</b>	0
31,341		41,407	(5,695)	<b>35,712</b>	4,371
13,770	<b>Social Work Teams</b>	13,768	0	<b>13,768</b>	(2)
4,278	<b>Strategic Management and Legal Costs</b>	4,692	(469)	<b>4,223</b>	(55)
<b>78,809</b>		<b>96,189</b>	<b>(12,035)</b>	<b>84,154</b>	<b>5,345</b>

## Children's Services

<b>Analysis of changes:</b>	<b>£'000</b>
<b>Technical and Service Changes</b>	
Inflation	1,649
National Living Wage	165
Demographic and other growth in demand	
Placement demand pressures, particularly residential provision	4,921
Changes in provision and support, including for disabled children and their families	975
	<u>7,710</u>
<b>Savings Strategies</b>	
Improved strategic commissioning, market management , increased in-house fostering capacity	(1,480)
Planned reductions in legal costs arising from improved care proceedings	(80)
Planned efficiencies through workforce remodelling	(290)
Cost efficiencies in transport arrangements	(200)
Additional grant income	(150)
Planned cost efficiencies across various budgets	(165)
	<u>(2,365)</u>
<b>Total</b>	<b><u>5,345</u></b>

## Children's Services

### 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, Emergency Duty and Early Help Teams and a range of services targeted to support families and thus help to avoid the need for children to come into care. It also provides short breaks and respite care services for disabled children and their families.

The greatest cost pressures centre on the lack sufficiency of appropriate placements both locally and nationally, particularly for those meeting the increasingly complex needs of children and young people.

During 2017/18 the number of children in care has been consistently lower than anticipated when the budget was set but the type of package of care that some require is changing significantly. A greater number of children are in residential placements and consequently this is leading to a substantial financial pressure on the budget. This is exacerbated by the inability to recruit the level of in-house foster carers anticipated during 2017/18 which would otherwise enable more children to step down into lower cost, but still appropriate, placements.

Savings strategies centre on improved strategic commissioning and market management, including a continued focus on the recruitment of in-house foster carers. It is a challenging environment and it is recognised that even if these strategies are successful the effects will take time to work through the system and are not likely to be realised in full within the 2018/19 financial year.

### Service Statistics

		Number of people budgeted to receive service		
		Average through Year		
Children's Social Work and Child Protection		2017/18	Change	2018/19
Unit of Measurement		2017/18	Change	2018/19
<b>Looked After Children</b>				
External Residential	Service Users	70	12	82
Internal Fostering Placements	Service Users	363	(20)	343
External Fostering Placements	Service Users	173	3	176
Foster to Adopt	Service Users	6	3	9
External Supported Lodgings/Housing	Service Users	45	(2)	43
Internal Residential Special School	Service Users	4	(2)	2
Medical Establishment	Service Users	5	(4)	1
Placed For Adoption	Service Users	26	(5)	21
Placed with Parents/ awaiting assessment	Service Users	25	(4)	21
Secure Welfare	Service Users	2	0	2
Remand / Custody	Service Users	0	2	2
Unaccompanied Asylum Seeking Children	Service Users	53	(1)	52
<b>Total Looked After Children</b>		<b>772</b>	<b>(18)</b>	<b>754</b>
		<b>2017/18</b>	<b>Change</b>	<b>2018/19</b>
<b>Other Children's Services</b>				
Staying Put/Care Leavers	Service Users	58	3	61
Children subject to a Child Protection Plan	Service Users	385	95	480
Children in Need - Assessments	Service Users	5,870	(1,050)	4,820
Children in Need - Placements	Service Users	2	(1)	1
Adoption Allowances	Service Users	106	(3)	103
Special Guardianship Order Allowances	Service Users	327	(21)	306
Residence/Child Arrangement Order Allowances	Service Users	52	19	71
Adoption Orders	Service Users	42	14	56
Shortbreak Services and Direct Payments	Service Users	1,265	57	1,322

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## Children's Services

### Education and Learning (General Fund)

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Infrastructure</b>					
45	Legal Disbursements	45	0	<b>45</b>	0
345	Admissions, Data and Strategic Management	696	(244)	<b>452</b>	107
1,201	Teachers Pension - Historic Enhancements	1,201	0	<b>1,201</b>	0
1,591		1,942	(244)	<b>1,698</b>	107
<b>School Improvement Inclusion and Safeguard</b>					
2,224	Closing The Gap	2,418	(19)	<b>2,399</b>	175
2,574	Inclusion	3,181	(210)	<b>2,971</b>	397
1,238	Quality Service and Provision	2,212	(974)	<b>1,238</b>	0
607	Safeguarding Every Learner	607	0	<b>607</b>	0
6,643		8,418	(1,203)	<b>7,215</b>	572
<b>School Transport</b>					
285	Home to College	266	(187)	<b>79</b>	(206)
13,132	Home to School	13,749	(330)	<b>13,419</b>	287
9,643	Personalised Transport	11,239	(145)	<b>11,094</b>	1,451
23,060		25,254	(662)	<b>24,592</b>	1,532
502	<b>Vulnerable Groups and Virtual School</b>	556	(95)	<b>461</b>	(41)
8,359	<b>Children's Centres and Early Years Services</b>	7,526	(159)	<b>7,367</b>	(992)
<b>40,155</b>		<b>43,696</b>	<b>(2,363)</b>	<b>41,333</b>	<b>1,178</b>

#### Analysis of changes:

£'000

#### Technical and Service Changes

Inflation	736
National Living Wage	400
Demographic and other growth in demand - Transport	580
Demographic and other growth in demand - SEN	612
	<u>2,328</u>

#### Savings Strategies

Consolidation and cost reduction from Children Centres contracts	(1,000)
Home to School/College transport - personalised approach to Independent travel	(150)
	<u>(1,150)</u>

<b>Total</b>	<b>1,178</b>
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## **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.

The cost of Personalised School Transport continues to rise due to increases in national living wage and contract pricing. Whilst there has been a relatively small rise in pupils accessing the service the average unit cost has risen by 12%.

## **Service Statistics**

<b>Transport</b>	<b>Unit of Measurement</b>	<b>2017/18</b>	<b>Change</b>	<b>2018/19</b>
School/College Transport	Pupil Numbers p.a.	14,182	(1,463)	12,719
Personalised Transport	Pupil Numbers p.a.	1,628	48	1,676

## Children's Services

### Education and Learning (School Funding)

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Schools</b>					
12,284	Academy and Independents	13,281	0	<b>13,281</b>	997
226,451	Primary Schools	234,454	0	<b>234,454</b>	8,003
175,079	Secondary Schools	179,795	0	<b>179,795</b>	4,716
413,814		427,530	0	<b>427,530</b>	13,716
<b>De-Delegated Schools Budget</b>					
519	Licences and Subscriptions	536	0	<b>536</b>	17
917	Schools and DSG Contingency	1,105	0	<b>1,105</b>	188
1,315	Targeted Specialist Services	1,341	0	<b>1,341</b>	26
124	School Intervention Fund	126	0	<b>126</b>	2
1,131	Maternity	1,145	0	<b>1,145</b>	14
135	Facilitation and Representation	146	(8)	<b>138</b>	3
4,141		4,399	(8)	<b>4,391</b>	250
<b>Central Provision Within Schools Budget</b>					
306	Admissions	447	(141)	<b>306</b>	0
1,500	Pupil Growth - Falling Rolls	1,569	0	<b>1,569</b>	69
873	Termination of Employment Costs	873	0	<b>873</b>	0
1,652	Other DSG Services	1,669	(17)	<b>1,652</b>	0
292	Phase Associations	314	(22)	<b>292</b>	0
848	Support Services	933	(85)	<b>848</b>	0
5,471		5,805	(265)	<b>5,540</b>	69
<b>High Needs Budget</b>					
478	Recoupment	1,126	(722)	<b>404</b>	(74)
2,278	Alternative Provision	2,273	0	<b>2,273</b>	(5)
1,297	Children In Care and Exclusions	1,527	0	<b>1,527</b>	230
1,500	Closing The Gap	1,500	0	<b>1,500</b>	0
349	Inclusion	349	0	<b>349</b>	0
144	Safeguarding Every Learner	144	0	<b>144</b>	0
26,434	Maintained Special Schools	27,199	0	<b>27,199</b>	765
292	Hospital Education Services	292	0	<b>292</b>	0
10,975	SEN Mainstream	10,949	0	<b>10,949</b>	(26)
924	SEN Services	924	0	<b>924</b>	0
15,015	Other Special School Fees	15,274	0	<b>15,274</b>	259
1,843	Support Centre Funding	1,324	0	<b>1,324</b>	(519)
1,164	Nursery Plus	1,164	0	<b>1,164</b>	0
62,693		64,045	(722)	<b>63,323</b>	630
35,448	<b>Early Years Budget</b>	40,549	(380)	<b>40,169</b>	4,721
<b>Schools Funding</b>					
(5,231)	Early Years - Disadvantaged 2 Year Olds	0	(5,231)	<b>(5,231)</b>	0
(476,536)	Dedicated Schools Grant (DSG)	0	(493,894)	<b>(493,894)</b>	(17,358)
(11,035)	Other School Grants	0	(13,827)	<b>(13,827)</b>	(2,792)
(5,132)	Post 16 Funding	0	(4,266)	<b>(4,266)</b>	866
(23,633)	Pupil Premium	0	(23,735)	<b>(23,735)</b>	(102)
(521,567)		0	(540,953)	<b>(540,953)</b>	(19,386)
<b>0</b>		<b>542,328</b>	<b>(542,328)</b>	<b>0</b>	<b>0</b>



## Children's Services

<b>Analysis of changes:</b>	<b>£'000</b>
Pupil Growth - new and expanding schools	69
Changes in de-delegation - net effect of academy conversions and increased demand	250
Increase in Early Years Free Entitlement and pupil number changes	4,721
Additional investment for children with complex needs	630
Net changes to mainstream school budgets arising mainly from demographic changes	13,716
Increase in Dedicated Schools Grant, Pupil Premium and other grants arising from demographic changes, introduction of National Funding Formula (NFF) and increase in Early Years provision	(19,386)
<b>Total</b>	<b>0</b>

## Children's Services

### 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.

2018/19 sees an increase to funding for schools and Early Years settings due to the introduction of the National Funding Formula and the full year effect of the 30 hours entitlement within Early Years since its implementation in September 2017.

Within the DSG the significant cost pressure relates to the High Needs service, largely due to increased demand. The cost of educating pupils with complex educational and physical needs can be significant and volatile and in particular the number of students remaining in Education post 16 is rising.

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

### Service Statistics

#### Number of local authority maintained schools and academies

##### Local Authority Maintained Schools

	Number of organisations	Number of Schools
Federations	37	100
Management Partnerships	14	41
% of schools actively collaborating		50%

##### Free Schools

		7
<b>Academies</b>		<b>121</b>
Number of schools in multi-academy trusts/collaborations		104
% of academies in multi academy trusts / collaborations		81%

#### Total all schools and academies

**366**

#### Number of pupils in LA maintained schools

	Unit of Measurement	Oct-2016	Change	Oct-2017
Nursery Schools	Pupil Numbers PTE	157	66	223
Maintained Nurseries within Primary Schools	Pupil Numbers PTE	1,565	(3)	1,562
		<b>1,722</b>	<b>63</b>	<b>1,785</b>
Primary Schools	Numbers on Roll	39,791	(2,024)	37,767
Secondary Schools	Numbers on Roll	12,440	(582)	11,858
Post 16	Numbers on Roll	999	(192)	807
		<b>53,230</b>	<b>(2,798)</b>	<b>50,432</b>

#### Number of pupils in academy schools

Primary Schools	Numbers on Roll	14,887	2462	17,349
Secondary Schools	Numbers on Roll	21,448	981	22,429
		<b>36,335</b>	<b>3,443</b>	<b>39,778</b>

#### Number of pupils in Free schools

Primary Schools	Numbers on Roll	363	72	435
Secondary Schools	Numbers on Roll	408	139	547
		<b>771</b>	<b>211</b>	<b>982</b>

#### Total number of pupils in LA maintained schools, academies and free schools

Nursery Schools	Pupil Numbers PTE	1,722	63	1,785
Primary Schools (including free schools)	Numbers on Roll	55,041	510	55,551
Secondary Schools (including free schools)	Numbers on Roll	34,296	538	34,834
Post 16 (maintained only)	Numbers on Roll	999	-192	807
		<b>92,058</b>	<b>919</b>	<b>92,977</b>

#### Percentage of pupils in academy schools

Primary Schools	Numbers on Roll	27.1%	4.9%	32.0%
Secondary Schools	Numbers on Roll	62.5%	3.5%	66.0%

## Children's Services

		2017/18	Change	2018/19
<b>Early Years Education Provision</b>				
Early Years Independent Provision	Pupil Numbers PTE	8,409	(393)	8,016
Early Years Entitlement Take up	Percentage of eligible children	100.0%	0.0%	100.0%
3 and 4 Year old additional 15 hours	Pupil Numbers PTE	2,273	1771	4,044
Disadvantaged two year olds	Pupil Numbers PTE	1,715	49	1,764
<b>Young People with Additional Needs</b>		2017/18	Change	2018/19
Statemented Pupils (Statutory)	Number of young people	1,510	418	1,928
Pupils with a 'My Plan' (non statutory)	No of young people	974	(809)	165
Independent Special Schools (pre 16)	Pupil Numbers	165	10	175
SEN referral placements	Number of Planned Places	15	0	15
Maintained Special Schools Pre 16	Number of budgeted Places	951	46	997
Maintained Special Schools Post 16	Number of Budgeted Places	100	0	100
Post 16 planned placements for young people with learning difficulties and disabilities (excl maintained spec schools)	Number of Planned Places	456	26	482
Devon Personalised Learning Service	Number of Planned Places	260	0	260

## Communities, Public Health, Environment and Prosperity

### How the 2018/19 Budget has been built

	2017/18 Adjusted Budget	Changes	2018/19 Outturn Budget
	£'000	£'000	£'000
<b>Communities and Other Services</b>	11,369	160	11,529
<b>Economy, Enterprise and Skills</b>	5,062	(67)	4,995
<b>Planning, Transportation and Environment</b>	18,299	(514)	17,785
<b>Public Health</b>	800	(382)	418
<b>Total</b>	<b>35,530</b>	<b>(803)</b>	<b>34,727</b>

#### Reasons for changes in Revenue Budget

£' 000

#### Technical and Service Changes

Inflation	522
National Living Wage	60
1 year procurement of Community Health and Care Children's Services	418
Increased activity demand	34
	<hr/> 1,034

#### Savings Requirements

National Concessionary Travel scheme - Reduced journey numbers	(250)
Use of alternative funding	(350)
Service efficiencies	(972)
Reduced general spending	(30)
Increased capital project income	(111)
Increased external income	(124)
	<hr/> (1,837)

<b>Total</b>	<b>(803)</b>
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## Analysis of Total Expenditure for 2018/19

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
<b>Communities and Other Services</b>	12,140	(56)	(435)	(120)	11,529
<b>Economy, Enterprise and Skills</b>	7,269	(100)	(1,978)	(196)	4,995
<b>Planning, Transportation and Environment</b>	24,799	(1,163)	(4,394)	(1,457)	17,785
<b>Public Health</b>	28,990	(28,512)	0	(60)	418
<b>Total</b>	<b>73,198</b>	<b>(29,831)</b>	<b>(6,807)</b>	<b>(1,833)</b>	<b>34,727</b>

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
<b>Communities and Other Services</b>					
Active Devon	1,449	(831)	(70)	(548)	0
Out of The Shadow (VAWG)	150	(150)	0	0	0
Syrian Refugees	959	(959)	0	0	0
Youth Projects	80	(79)	0	(1)	0
<b>Economy, Enterprise and Skills</b>					
EU - Growth Hub (Devon)	81	(37)	(44)	0	0
EU - Healthy Ageing (Devon)	66	(40)	(26)	0	0
EU - Social Enterprise (Devon)	158	(90)	(68)	0	0
LAG - MIL (Making It Local 2)	60	(60)	0	0	0
LAG - REAL Devon	52	(52)	0	0	0
Learn Devon	3,796	(3,411)	(206)	(179)	0
<b>Planning, Transportation and Environment</b>					
AONB Blackdown Hills	217	(204)	(1)	(12)	0
AONB North Devon	188	(175)	0	(13)	0
Cycle Bikeability Training	280	(280)	0	0	0
Devon Maritime Forum	15	(9)	(1)	(5)	0
Exe Estuary Partnership	27	(18)	0	(9)	0
Local Sustainable Transport Fund Grants	500	(500)	0	0	0
Other Countryside Projects	184	(174)	0	(10)	0
South West Coast Path Team	109	(109)	0	0	0
Sustainable Mobility Plans (INNOVASUMP)	45	(38)	0	(7)	0
Transport Co-Ordination Service	3,136	(1,146)	(1,972)	(18)	0
<b>Total</b>	<b>11,552</b>	<b>(8,362)</b>	<b>(2,388)</b>	<b>(802)</b>	<b>0</b>
<b>Grand total</b>	<b>84,750</b>	<b>(38,193)</b>	<b>(9,195)</b>	<b>(2,635)</b>	<b>34,727</b>

## Communities and Other Services

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Commissioning Services For Communities</b>					
700	Heritage Centre and Devon Records Office	723	(10)	<b>713</b>	13
6,329	Library and Information Service	6,703	(326)	<b>6,377</b>	48
1,760	Youth Services	1,838	(78)	<b>1,760</b>	0
8,789		9,264	(414)	<b>8,850</b>	61
<b>Planning and Insight</b>					
(333)	County Wide Research, Performance Review	(222)	0	<b>(222)</b>	111
151	Emergency Planning	196	(43)	<b>153</b>	2
205	Research, Intelligence and Performance	166	0	<b>166</b>	(39)
23		140	(43)	<b>97</b>	74
<b>Safer and Stronger Communities</b>					
806	Commissioning / Grants	807	0	<b>807</b>	1
531	Community	729	(154)	<b>575</b>	44
1,220	Locality / Communities Together Fund	1,200	0	<b>1,200</b>	(20)
2,557		2,736	(154)	<b>2,582</b>	25
<b>11,369</b>		<b>12,140</b>	<b>(611)</b>	<b>11,529</b>	<b>160</b>

### Analysis of Changes:

£'000

### Technical and Service changes

Inflation

72

72

### Savings Strategies

Re-phasing of County-wide information management resources review

111

Savings from restructured service areas

(23)

88

### Total

**160**

## **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 Devon-wide 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. In 2017/18 a saving of £333,000 was shown under the Research, Intelligence and Performance service as a corporate target across the County relating to a review of countywide information management resources. The timescale for this review has now been aligned to the strategic programme and the target adjusted down by £111,000.

The Library service remains a statutory duty which is delivered through a contract with Libraries Unlimited (South West). The service statistics show the move from the provision of stand-alone PCs in each library to an increasing demand for WiFi connectivity.

## **Service Statistics and Other Information**

Service/ Activity	Unit of Measurement	2017/18 Estimate	Change	2018/19 Estimate
Libraries				
Libraries	No.	50	0	50
Mobile Libraries	No.	4	0	4
PCs Available with public access	No.	502	(66)	436

## Economy, Enterprise and Skills

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Business Support and Innovation</b>					
353	Business Growth Support	338	(38)	<b>300</b>	(53)
1,896	Trading Standards	3,475	(1,659)	<b>1,816</b>	(80)
2,249		3,813	(1,697)	<b>2,116</b>	(133)
<b>Economic Infrastructure and Development</b>					
763	Economic Development	1,131	(232)	<b>899</b>	136
(11)	Industrial Estates	125	(136)	<b>(11)</b>	0
752		1,256	(368)	<b>888</b>	136
<b>Employment and Skills</b>					
261	Labour Market Development	400	(209)	<b>191</b>	(70)
1,800	Post 16 Provision	1,800	0	<b>1,800</b>	0
2,061		2,200	(209)	<b>1,991</b>	(70)
<b>5,062</b>		<b>7,269</b>	<b>(2,274)</b>	<b>4,995</b>	<b>(67)</b>

### Analysis of changes:

£'000

#### Technical and Service changes

Inflation	30
Enterprise Zone contribution	13
Broadband (BDUK) project	15
	<u>58</u>

#### Savings Strategies

Trading Standards - Operational efficiencies	(100)
Economic Development - Efficiencies on economic analysis	(10)
Economic Development - Reduced spending on feasibility studies of potential new capital schemes and development opportunities	(15)
	<u>(125)</u>

<b>Total</b>	<b>(67)</b>
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## **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 wellbeing of individuals and communities,
- Stimulating innovation and business support across Devon's Small and Medium enterprises, including encouraging new business start ups
- Protecting consumers and communities by ensuring a safe, fair, responsible, sustainable and competitive trading environment,
- Promoting Devon as a business location, including the facilitation of strategic employment space, managed workspace, broadband and mobile infrastructure,
- Developing growth sectors and supply chains, including 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,
- Influencing national and local policies impacting on growth, skills and employment to support Devon's economic and wellbeing priorities and secure external funding to deliver these priorities.

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 delivering services using knowledge and expertise within the Service for other third-party organisations. The Service is also leading on raising commercial awareness across the Authority, in support of generating further savings.

## **Service Statistics and Other Information**

<b>Service/ Activity</b>	<b>Unit of Measurement</b>	<b>2017/18 Estimate</b>	<b>Change</b>	<b>2018/19 Estimate</b>
<b>Trading Standards (Shared Service)</b>				
Business premises on Trading Standards database	No.	74,497	1,189	75,686
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	16,400	0	16,400
<b>Learn Devon</b>				
Learn Devon - Enrolments	No.	8,500	0	8,500

## Planning, Transportation and Environment

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 <b>Outturn Budget £'000</b>	2018/19 Net Changes £'000
<b>Environment Service</b>					
496	Environment Policy	585	(103)	<b>482</b>	(14)
1,198	Flood Risk and Surface Water Management	951	0	<b>951</b>	(247)
412	Projects and Partnerships	389	(9)	<b>380</b>	(32)
2,106		1,925	(112)	<b>1,813</b>	(293)
<b>Planning and Transportation</b>					
626	Development Management	1,397	(844)	<b>553</b>	(73)
2,772	Planning and Transportation	2,965	(283)	<b>2,682</b>	(90)
3,398		4,362	(1,127)	<b>3,235</b>	(163)
<b>Public and Community Transport</b>					
9,265	National Concessionary Travel Scheme	9,122	(20)	<b>9,102</b>	(163)
19	NHS Patient Transport Advice Service	3,065	(3,036)	<b>29</b>	10
3,323	Public Transport Support	4,398	(1,018)	<b>3,380</b>	57
188	Transport Co-Ordination Service	1,927	(1,701)	<b>226</b>	38
12,795		18,512	(5,775)	<b>12,737</b>	(58)
<b>18,299</b>		<b>24,799</b>	<b>(7,014)</b>	<b>17,785</b>	<b>(514)</b>

### Analysis of changes:

£'000

#### Technical and Service changes

Inflation	420
National Living Wage	60
Funding for bus services previously paid under S106	6
	<b>486</b>

#### Savings Strategies

Transport management efficiency savings	(150)
National Concessionary Travel - Reduced journey numbers	(250)
Use of grant monies for Public Transport	(100)
Alternative funding from capital for flood programme	(250)
Increased income from capital projects	(111)
Increased income generation	(124)
Minor savings on activity budgets	(15)
	<b>(1,000)</b>

<b>Total</b>	<b>(514)</b>
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## **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 achieving savings from earning fees, looking to draw down funds from government and striving for increased efficiency.

## **Service Statistics and Other Information**

<b>Service/ Activity</b>	<b>Unit of Measurement</b>	<b>2017/18 Estimate</b>	<b>Change</b>	<b>2018/19 Estimate</b>
<b>Planning, Transportation &amp; Environment</b>				
County Matter applications	No.	60	0	60
County Council development applications	No.	40	0	40
Sustainable drainage consultations for major development	No.	950	(80)	870
Land drainage consents	No.	35	10	45
East Devon Traffic Screenline - Average daily no. of vehicles crossing (predicted)	No.	138,000	1,500	139,500
<b>Public Transport</b>				
Local bus services contracts	No.	130	(4)	126
Ring and Ride community transport schemes	No. of schemes	16	0	16
Community buses	No.	9	0	9
Fare car supported taxi schemes	No. of schemes	7	0	7

## Communities, Public Health, Environment and Prosperity

### Public Health

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 <b>Outturn Budget £'000</b>	2018/19 Net Changes £'000
<b>Public Health</b>					
2,973	Children 5-19 Public Health Programmes	2,155	0	<b>2,155</b>	(818)
1,000	Community Safety, Violence Prevention and Social Exclusion	989	(35)	<b>954</b>	(46)
40	Health At Work	54	0	<b>54</b>	14
96	Health Protection	107	0	<b>107</b>	11
9,101	Mandated 0-5 Children's Services	8,567	0	<b>8,567</b>	(534)
96	National Child Measurement Programme	111	0	<b>111</b>	15
349	NHS Health Check Programme	683	0	<b>683</b>	334
268	Obesity	559	(90)	<b>469</b>	201
440	Other Public Health	577	(74)	<b>503</b>	63
268	Physical Activity	305	(36)	<b>269</b>	1
365	Public Health Advice to NHS Commissioners	222	0	<b>222</b>	(143)
(28,888)	Public Health Income	0	(28,162)	<b>(28,162)</b>	726
621	Public Mental Health	573	(175)	<b>398</b>	(223)
5,987	Sexual Health	6,219	0	<b>6,219</b>	232
1,133	Smoking and Tobacco	1,314	0	<b>1,314</b>	181
5,848	Substance Misuse	5,444	0	<b>5,444</b>	(404)
1,103	Support Services	1,111	0	<b>1,111</b>	8
<b>800</b>		<b>28,990</b>	<b>(28,572)</b>	<b>418</b>	<b>(382)</b>

#### Analysis of changes:

£'000

#### Technical and Service Changes

One-off - 1 year procurement of Community Health and Care Children's Services

418

418

#### Savings Strategies and Revised programmes

Children 5-19 Public Health Programmes - Contract saving negotiated

(800)

Reduced grant and revised programmes funded by:

Reduction in Department of Health grant	726
NHS Health Check programme - Universal programme recommences	334
Obesity - Pre-diabetes intervention spend	201
Sexual Health - Service re-basing for new contract	232
Smoking and Tobacco - Increased demand	181
Other minor adjustments	94
Community Safety, Violence prevention and social exclusion - Re-procurement saving	(46)
Mandated 0-5 children's services - Contract saving negotiated	(952)
Public health Advice to NHS Commissioners - Staffing re-allocated	(143)
Public Mental Health - Current contract ends in year	(223)
Substance misuse - Re-procurement saving	(404)

0

(800)

#### Total

**(382)**

## **Service Commentary**

Public Health is predominantly funded by a ring-fenced grant from the Department of Health which has reduced by £726,000 or 2.6% for 2018/19. A further grant reduction of 2.6% has been confirmed for 2019/20.

A programme of procurement has been undertaken during 2017/18 to enable service demands to be met from the reducing ring-fenced grant. This has seen the substance misuse support service, domestic and sexual violence support and prevention service and the sexual health services being tendered. This has given rise to £450,000 of savings for 2018/19. The outcome of the sexual health tender and the financial impact of this is not yet known.

The Public Health Nursing Service (0-19 provision) remains part of the Integrated Children's Services contract, and a negotiated reduction in the contract value for this service will see savings between £1.3millions and £1.7millions. The £418,000 risk share provision for integrated children's services has been funded from corporate services.

Grant funding has been secured in addition to the main Public Health grant including funding for a Healthy New Town programme (Cranbrook), and funding from the Big Lottery to support a Pre-Diabetes intervention.

A new intervention service is being launched in April 2018 to engage with and support individuals at high risk of developing Type 2 Diabetes in order to prevent the development of this disease. This intervention is being partially funded (39%) through the receipt of grant funding from The Big Lottery which is additional to the Public Health core grant funding.

## **Service Statistics and Other Information**

<b>Service/ Activity</b>	<b>Unit of Measurement</b>	<b>2017/18</b>	<b>Change</b>	<b>2018/19</b>
		<b>Estimate</b>		<b>Estimate</b>
Local opiate clients in treatment	Individuals	1,189	6	1,195
Local non-opiate clients in treatment	Individuals	415	(2)	413
Local alcohol clients in treatment	Individuals	960	42	1,002
Genito-urinary medicine patients treated	Individuals	28,433	0	28,433
Contraception services accessed	Individuals	30,974	509	31,483

## Corporate Services

### How the 2018/19 Budget has been built up

	2017/18 Adjusted Budget	Changes	2018/19 Outturn Budget
	£'000	£'000	£'000
Chief Executive, Legal and Communications	4,703	(21)	4,682
Digital Transformation and Business Support	14,775	1,241	16,016
Human Resources and Organisational Development	3,271	(384)	2,887
Treasurer's Services	11,276	(243)	11,033
<b>Total</b>	<b>34,025</b>	<b>593</b>	<b>34,618</b>

#### Reasons for changes in Revenue Budget £'000

##### Technical and Service Changes

Inflation	1,129
National Living Wage	17
Other demographic, contract and service pressures	1,811
	<u>2,957</u>

##### Savings Requirements

Staffing reductions and turnover savings	(1,495)
Facilities management and property maintenance / rationalisation	(310)
Reduction in unfunded pension commitments	(286)
IT software, licence and support savings	(190)
Increased income generation (net savings)	(44)
Other efficiencies and reviews	(39)
	<u>(2,364)</u>

<b>Total</b>	<b>593</b>
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## Analysis of Total Expenditure 2018/19

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Chief Executive, Legal and Communications	8,516	0	(2,929)	(905)	4,682
Digital Transformation and Business Support	30,752	(8,812)	(3,668)	(2,256)	16,016
Human Resources and Organisational Development	14,014	0	(2,723)	(8,404)	2,887
Treasurer's Services	20,778	0	(7,417)	(2,328)	11,033
<b>Total</b>	<b>74,060</b>	<b>(8,812)</b>	<b>(16,737)</b>	<b>(13,893)</b>	<b>34,618</b>

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
<b>Digital Transformation and Business Support</b>					
ScoMIS	9,704	0	(2,367)	(7,337)	0
<b>Treasurer's Services</b>					
Devon Audit Partnership	1,240	0	(1,240)	0	0
<b>Total</b>	<b>10,944</b>	<b>0</b>	<b>(3,607)</b>	<b>(7,337)</b>	<b>0</b>
<b>Grand total</b>	<b>85,004</b>	<b>(8,812)</b>	<b>(20,344)</b>	<b>(21,230)</b>	<b>34,618</b>

## Corporate Services

### Chief Executive, Legal and Communications

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
1,397	<b>Coroners Service</b>	1,425	(2)	<b>1,423</b>	26
1,037	<b>Legal Services</b>	2,176	(1,119)	<b>1,057</b>	20
928	<b>Media, Marketing and Communications</b>	1,291	(352)	<b>939</b>	11
	<b>Other Services</b>				
222	Corporate Management	284	(161)	<b>123</b>	(99)
1,500	Cost of Democracy	1,865	(79)	<b>1,786</b>	286
130	Local Authority Subscriptions	135	0	<b>135</b>	5
1,852		2,284	(240)	<b>2,044</b>	192
(511)	<b>Registration Service</b>	1,340	(2,121)	<b>(781)</b>	(270)
<b>4,703</b>		<b>8,516</b>	<b>(3,834)</b>	<b>4,682</b>	<b>(21)</b>

#### Analysis of changes:

£'000

#### Technical and Service Changes

Inflationary increases

76

76

#### Savings requirements

Staffing reductions and turnover

(97)

(97)

#### Total Chief Executive, Legal and Communications

**(21)**



## Service Commentary

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

There are a number of pressures affecting the service, not least the increasing demands for legal support in respect of childcare and safeguarding adults, financial pressures on the Coroners Service and a growing demand to develop an effective digital public information offer, to support greater self-service and help key service areas to reduce demand and deliver budget reduction targets

## Service Statistics and Other Information

	Unit of Measurement	2015/16 actual	Change	2016/17 * actual
<b>Coroners Service</b>				
Caseload	No.	2,761	214	2,975
Total inquests opened	No.	281	56	337
Natural deaths reported with a Post Mortem	No.	535	52	587
<b>Registration Service</b>				
Certificates issued	No.	63,885	3,695	67,580

\* Latest figures available

## Corporate Services

### Digital Transformation & Business Support

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Business Infrastructure</b>					
5,077	Business Services and Support	5,175	(354)	<b>4,821</b>	(256)
998	Customer Relations	862	(162)	<b>700</b>	(298)
2,701	Facilities Management	4,978	(2,075)	<b>2,903</b>	202
(6,752)	Private Finance Initiatives	2,003	(8,812)	<b>(6,809)</b>	(57)
2,024		13,018	(11,403)	<b>1,615</b>	(409)
<b>Estates</b>					
1,949	Building Maintenance	1,810	(14)	<b>1,796</b>	(153)
977	Estates Corporate	1,435	(321)	<b>1,114</b>	137
(382)	Farms	700	(1,114)	<b>(414)</b>	(32)
2,544		3,945	(1,449)	<b>2,496</b>	(48)
<b>ICT</b>					
1,398	Customer Service Centre	1,425	(11)	<b>1,414</b>	16
7,717	ICT	10,726	(1,321)	<b>9,405</b>	1,688
9,115		12,151	(1,332)	<b>10,819</b>	1,704
1,092	<b>Procurement</b>	1,638	(552)	<b>1,086</b>	(6)
<b>14,775</b>		<b>30,752</b>	<b>(14,736)</b>	<b>16,016</b>	<b>1,241</b>

#### Analysis of changes:

**Change  
£'000**

#### Technical and Service Changes

Inflationary increases	755
National living wage (Facilities Management)	17
One-off 1 year procurement of Community Health and Care Children's Services	265
Libraries Unlimited IT	365
IT Roadmap 2018-2020 and Digital Information	1,081
	<b>2,483</b>

#### Savings requirements

Staffing reductions and turnover savings	(528)
IT software, licence and support savings	(190)
Facilities Management savings	(110)
Property rationalisation initiatives	(100)
Corporate Maintenance savings	(100)
ScoMIS - increased growth from educational marketplace	(100)
Other income generation	(54)
Energy efficiency savings	(40)
County Farms - rental reviews (net savings)	(20)
	<b>(1,242)</b>

<b>Total</b>	<b>1,241</b>
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## Service Commentary

The Digital Transformation and Business Support Service must lead and drive the digital transformation agenda. The services are critical for the smooth running of the County Council, enabling all of us to work more efficiently; is fundamental to ensuring that the County Council's key resources are prioritised to meet organisational demand and ensuring that the County Council's statutory and legislative responsibilities are both supported and discharged.

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

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

## Service Statistics and Other Information

	Unit of Measurement	2017/18	Change	2018/19
<b>Property</b>				
DCC owned operational properties (including schools)	No.	556	(29)	527
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	698	(27)	671
<b>County Farms Estate</b>				
No of Farms	No.	69	(1)	68
Total acreage	Acres	9,590	0	9,590
<b>IT Infrastructure</b>				
Managed Desktops	No.	7,131	(2,331)	4,800
Networked Sites	No.	258	(67)	191
User accounts (DCC IT systems)	No.	5,826	(369)	5,457

## Human Resources and Organisational Development

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Human Resources</b>					
301	Employee Services	9,833	(9,918)	<b>(85)</b>	(386)
617	Management and Strategy	603	(34)	<b>569</b>	(48)
893	Performance	846	(47)	<b>799</b>	(94)
881	Personnel Services Operations	2,026	(1,128)	<b>898</b>	17
2,692		13,308	(11,127)	<b>2,181</b>	(511)
579	<b>Organisational Development</b>	706	0	<b>706</b>	127
<b>3,271</b>		<b>14,014</b>	<b>(11,127)</b>	<b>2,887</b>	<b>(384)</b>

**Analysis of changes:****£'000****Technical and Service Changes**

Inflationary increases	84
Loss of income from business change work for other Services within DCC	100
	<u>184</u>

**Savings requirements**

Human Resource Management System implementation and other HR changes	(563)
Staffing reductions and turnover savings	(5)
	<u>(568)</u>

<b>Total</b>	<b>(384)</b>
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## Service Commentary

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

The HR Team enables the Council to recruit, retain and develop staff with the right skills, experience and capacity to achieve the strategic purposes of the Council. The team supports the Authority by identifying any external developments that will impact on the workforce, such as employment related legislative changes. The HR Team also supports Leadership and Management development across the Council, and undertakes workforce planning to ensure that the Authority is equipped to meet future challenges from a staffing perspective. It co-ordinates the recruitment and development of Apprenticeships for the council successfully recruiting 99 apprentices since 2013 with the addition of 6 existing staff apprentices recently. It ensures legal compliance for reporting requirements such as the Gender Pay Gap, and Trade Union Facility Time Funding for Data Transparency. In addition, consultancy support and advice is provided on the application of employment law, health and safety regulations and internal HR policies; administration of a payroll service; administration of a disclosure and barring service; co-ordination of recruitment campaigns; provision of a large pool of skilled office support workers available at short notice for temporary cover; provision of training and mediation services.

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

	<b>Unit of Measurement</b>	<b>2017/18 estimates</b>	<b>Change</b>	<b>2018/19 estimates</b>
Apprentices employed	No.	61	0	61
Payslips p.a	No.	246,000	(2,600)	243,400
DBS checks processed p.a	No.	19,200	550	19,750
Answered calls to HR Direct p.a	No.	10,000	0	10,000
Answered calls to Payroll p.a	No.	15,000	0	15,000
Answered calls to Recruitment p.a	No.	5,000	0	5,000

## Corporate Services

### Treasurer's Services

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 <b>Outturn Budget £'000</b>	2018/19 Net Changes £'000
<b>Other Services</b>					
152	Bank Charges	152	0	<b>152</b>	0
106	External Audit	82	0	<b>82</b>	(24)
4,926	Unfunded Pensions	8,012	(3,265)	<b>4,747</b>	(179)
5,184		8,246	(3,265)	<b>4,981</b>	(203)
<b>Treasurer's Services</b>					
2,850	Accountancy Services	3,824	(919)	<b>2,905</b>	55
407	Corporate Management and Commissioning	1,170	(943)	<b>227</b>	(180)
1,404	Financial Systems, Processes and Compliance	5,814	(4,362)	<b>1,452</b>	48
1,431	Strategic Financial Planning	1,724	(256)	<b>1,468</b>	37
6,092		12,532	(6,480)	<b>6,052</b>	(40)
<b>11,276</b>		<b>20,778</b>	<b>(9,745)</b>	<b>11,033</b>	<b>(243)</b>

#### TREASURER'S SERVICES

##### Analysis of changes:

**Change  
£'000**

##### Technical and Service Changes

Inflationary increases	214
	<u>214</u>

##### Savings requirements

Staffing reductions and turnover savings	(116)
Reduction in Unfunded Pension commitments	(286)
Other efficiencies	(55)
	<u>(457)</u>

<b>Total</b>	<b>(243)</b>
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## 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. Treasurer's Services continue to try and work in a smarter way by further developing existing forecasting and reporting and purchasing and payments systems.

Furthermore, to relieve pressure within the Exchequer Service and provide an improved digital experience for people making payments to the Council, a new Payment Gateway and associated financial software is currently being implemented. This project, which will provide new on-line payment forms, automated telephone payments and new income management and bank reconciliation software, together with the latest scanning technology within the Exchequer Service, will lead to greater efficiency and an enhanced customer experience.

## Service Statistics and Other Information

	<b>Unit of Measurement</b>	<b>2017/18 estimates</b>	<b>Change</b>	<b>2018/19 estimates</b>
Debtors raised p.a.	No.	86,000	(4,000)	82,000
Invoices paid p.a.	No.	438,000	(78,000)	360,000
Proportion paid using BACS	Percentage	99	0	99

# Highways, Infrastructure Development and Waste

## How the 2018/19 Budget has been built up

	2017/18 Adjusted Budget	Changes	2018/19 Outturn Budget
	£'000	£'000	£'000
Highways and Traffic Management	29,646	(2,578)	27,068
Infrastructure Development and Waste	26,558	1,082	27,640
<b>Total</b>	<b>56,204</b>	<b>(1,496)</b>	<b>54,708</b>

Reasons for changes in Revenue Budget	Change £' 000
<b>Technical and Service Changes</b>	
Inflation	2,745
Waste Services demographic and contract pressures	382
Other demographic, contract and service pressures	100
	<u>3,227</u>
<b>Savings Requirements</b>	
Efficiencies generated from contractual arrangements	(2,885)
Redirection of costs to alternative funding streams	(1,000)
Reduced street lighting energy and usage	(546)
Savings from future contract renewals and negotiations	(242)
Impact of community self-help	(50)
	<u>(4,723)</u>
<b>Total</b>	<b>(1,496)</b>



## Highways, Infrastructure Development and Waste

### Analysis of Total Expenditure for 2018/19

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
<b>Highways and Traffic Management</b>	29,255	(118)	(1,019)	(1,050)	27,068
<b>Infrastructure Development and Waste</b>	32,454	0	(4,119)	(695)	27,640
<b>Total</b>	<b>61,709</b>	<b>(118)</b>	<b>(5,138)</b>	<b>(1,745)</b>	<b>54,708</b>

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
<b>Highways and Traffic Management</b>					
On Street Parking	6,852	(104)	(6,748)	0	0
<b>Infrastructure Development and Waste</b>					
Ecowaste4Food Project	37	(32)	0	(5)	0
<b>Total</b>	<b>6,889</b>	<b>(136)</b>	<b>(6,748)</b>	<b>(5)</b>	<b>0</b>
<b>Grand total</b>	<b>68,598</b>	<b>(254)</b>	<b>(11,886)</b>	<b>(1,750)</b>	<b>54,708</b>

## Highways, Infrastructure Development and Waste

### Highways and Traffic Management

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 Outturn Budget £'000	2018/19 Net Changes £'000
<b>Highway Maintenance</b>					
4,167	Cyclic Maintenance	2,287	(32)	<b>2,255</b>	(1,912)
3,858	Highway Lighting	4,002	(30)	<b>3,972</b>	114
627	Maintenance of Public Rights of Way	644	(36)	<b>608</b>	(19)
26	Other Highway Services	167	(133)	<b>34</b>	8
475	Retaining Walls and Bridges	530	(8)	<b>522</b>	47
1,827	Routine Maintenance	3,432	(30)	<b>3,402</b>	1,575
6,200	Safety Reaction	6,052	(63)	<b>5,989</b>	(211)
6,224	Winter and Emergencies	4,039	(60)	<b>3,979</b>	(2,245)
23,404		21,153	(392)	<b>20,761</b>	(2,643)
<b>Highway Network Management</b>					
6,238	Highway Network Management	7,887	(1,584)	<b>6,303</b>	65
4	Management and Support	215	(211)	<b>4</b>	0
6,242		8,102	(1,795)	<b>6,307</b>	65
<b>29,646</b>		<b>29,255</b>	<b>(2,187)</b>	<b>27,068</b>	<b>(2,578)</b>

#### Analysis of Changes:

£'000

#### Technical and Service changes

Inflation	1,803
Impact of Ash die back on Highways trees	100
	<u>1,903</u>

#### Savings Strategies

General efficiencies from new term maintenance contract	(2,885)
Redirection of costs to alternative funding streams	(1,000)
Reduced street lighting energy and usage	(546)
Impact of community self help on Public Rights of Way	(50)
	<u>(4,481)</u>

<b>Total</b>	<b>(2,578)</b>
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### 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 has generated significant savings during 2017/18 and further efficiencies of £2.8 millions are anticipated during 2018/19.

### Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2017/18 Estimate	Change	2018/19 Estimate
Size of Network	Km	12,915	0	12,915
Bridges	No.	3,291	21	3,312
Structural retaining walls (>1.35m height)	No.	1,564	89	1,653
Structural retaining walls (>1.35m height)	Km	113	14	127
Street lights total	No.	77,800	700	78,500
Street lights to have been converted to part night lighting	No.	50,095	0	50,095
Rights of way	Km	5,000	0	5,000
Strategic road salted after route optimisation	Km	2,664	0	2,664
Illuminated road markings and signs	No.	10,337	0	10,337
Gullies emptied	No.	130,000	0	130,000
Total grass area cut	m <sup>2</sup>	1 million	0	1 million
Surface dressed	Km	338	87	425
Resurfacing / reconstruction	Km	77	(24)	53

## Infrastructure Development and Waste Management

2017/18 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2018/19 <b>Outturn Budget £'000</b>	2018/19 Net Changes £'000
<b>Engineering, Design and Built Environments Team</b>					
196	Compliance Surveys - School Buildings	196	0	<b>196</b>	0
(421)	Engineering and Design Group	301	(680)	<b>(379)</b>	42
83	Schools Estates Work	83	0	<b>83</b>	0
(142)		580	(680)	<b>(100)</b>	42
<b>Waste Disposal and Recycling</b>					
9,911	Disposal of Statutory Waste	14,299	(3,954)	<b>10,345</b>	434
5,533	Landfill Tax on Disposal	5,820	0	<b>5,820</b>	287
323	Other Site Related Costs	325	(2)	<b>323</b>	0
5,766	Recycling Centres	5,959	(8)	<b>5,951</b>	185
4,258	Recycling Credits	4,386	0	<b>4,386</b>	128
730	Waste Management	751	(15)	<b>736</b>	6
179	Waste Minimisation Activities	334	(155)	<b>179</b>	0
26,700		31,874	(4,134)	<b>27,740</b>	1,040
<b>26,558</b>		<b>32,454</b>	<b>(4,814)</b>	<b>27,640</b>	<b>1,082</b>

### Analysis of changes:

£'000

#### Technical and Service changes

Inflation	942
Waste tonnage growth	114
Landfill tax tonnage growth	57
Price changes for Energy from Waste plants	103
Change in market conditions for disposal contracts	108
	<u>1,324</u>

#### Savings Strategies

Procurement savings - future renewals and negotiations	(242)
	<u>(242)</u>

<b>Total</b>	<b>1,082</b>
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### Service Commentary

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

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

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.

Anticipated increases in expenditure from waste tonnage growth and other demographic pressures are partly offset by expected savings from future contractual arrangements.

### Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2017/18 Estimate	Change	2018/19 Estimate
Municipal waste disposal to landfill	Tonnes	65,300	764	66,064
Municipal waste recycled (excl. soil & rubble)	Tonnes	214,000	2,000	216,000
Trade Waste - rechargeable income	Tonnes	14,000	0	14,000
Exeter Energy from Waste	Tonnes	60,000	0	60,000
Plymouth Energy from Waste	Tonnes (approx)	53,332	655	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

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# Medium Term Financial Strategy 2018/19 – 2021/22

## Introduction

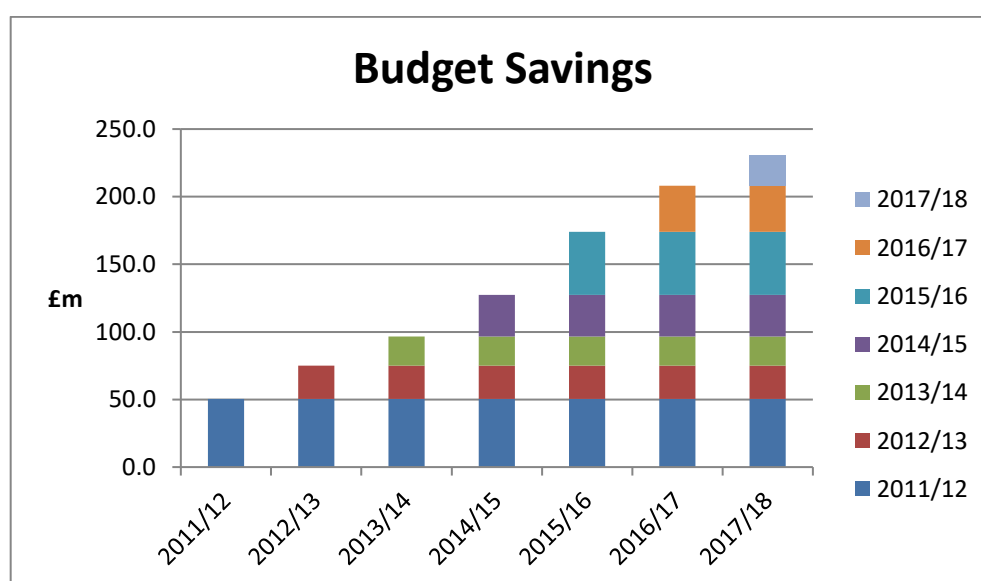
This is an interesting time for Local Government finance. It was very helpful in 2016/17 when Central Government invited Local Authorities to sign up for a four-year settlement. 2018/19 will be year three of the four and our funding beyond 2019/20 is not known. Central Government is working with stakeholders to review and simplify the national funding formula for Local Government but this is a very complex task and still in its early stages. In addition to this, Central Government announced in December its expectation of a 75% Business Rates Retention Scheme for Local Government from 2020/21 but there is, as yet, little information on what this will mean.

The Medium Term Financial Strategy (MTFS) is of course about looking forward but it is helpful context to look back at the changes to the authority's funding and budgets since the first of the Government's Comprehensive Spending Reviews back in 2010. The MTFS is therefore structured to firstly look back at Life Since 2010, before moving our attention to 2018/19 and Beyond.

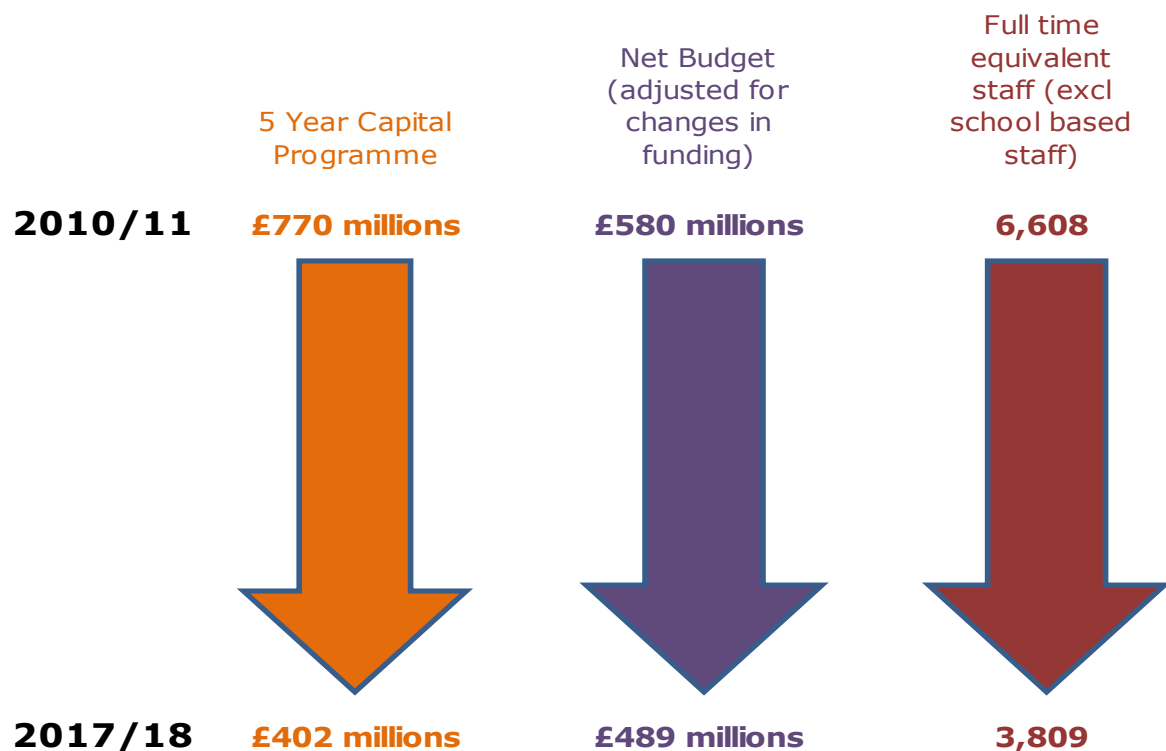
## Life Since 2010

Central Government's first Comprehensive Spending Review was in 2010; the intention was that this would be a four-year program of cuts with an average reduction in Local Government Core Funding of 28% in real terms. Core Funding is the total of Revenue Support Grant and Business Rates. As we now know the cuts went far beyond four years with 2018/19 being year eight with further cuts expected. Up to and including 2017/18 the authority's Core Funding has reduced by just over £155 million in cash terms, or in the region of 76% in real terms; for Devon the original 28% reduction was reached in year three.

This level of reduction in our Core Funding coupled with inflationary, demand and demographic pressures has meant savings, efficiencies and additional income generation in our services of just over £230 millions.



The impact of the reduction in our Core Funding is wider than the reduction to our service budgets, it has also impacted on the value of the Capital Programme, due to the impact this investment has on our Revenue Budgets; the overall Net Budget has reduced; and of course, the impact on our staffing.



## 2018/19 and Beyond

### Future Funding

#### Core Funding

The Council's core funding normally consists of:

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

In 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. The Government has honoured these settlement figures for both 2017/18 and 2018/19. This does of course mean a significant ongoing reduction to our funding.



The authority's Core Funding will work slightly differently in 2018/19 due to the Business Rates Pilot outlined below.

Revenue Support Grant (RSG) was once the main Central Government funding to Local Government but for the County Council is expected to reduce to almost nil in 2019/20 and could become a negative figure from 2020/21; meaning the authority could be in the situation where it must pay some of its locally raised Council Tax to Central Government. The concept of a negative RSG is viewed as very unfair both locally and nationally and Central Government has recently announced that it will undertake a review and consider an alternative.

As part of the Chancellor's Autumn Statement he announced a change to the annual inflationary increase applied to the Business Rates multiplier. From 1st April 2018 the increase will be based on Consumer Price Index (CPI) rather than Retail Price Index (RPI). This will result in Local Authorities nationally receiving less income from Local Business Rates; to compensate authorities Central Government has announced an additional Business Rates grant that will sit alongside the other compensation grants relating to changes such as the doubling of the Small Business Rate Relief.

### **100% Business Rates Retention Pilot**

During the summer the Department for Communities and Local Government invited Local Authorities to submit applications to become 100% Business Rates Retention Pilots in 2018/19. The Government's intention is that the new pilots will run alongside the five current 100% pilots which have been in operation since 1 April 2017. The current pilots, and the new wave in 2018/19, will help explore options with Government for the design of future local government finance reforms.

The County Council along with all the eight Devon District Councils and the two Unitary Authorities applied to become a Pilot area to Government at the end of October.

As part of Sajid Javid's statement to Parliament on the Provisional Local Government Finance Settlement in December he announced that due to the large number of pilot applications a total of ten had been accepted for 2018/19.

The Devon application is one of the ten successful bids. It is understood that at least three DCLG officials independently scored each pilot bid based upon the application criteria originally set. This in combination with ministerial judgement and Treasury cost limits, led to Devon's success.

The success of the Devon wide bid brings with it not only an opportunity to help inform future local government finance reforms but a financial benefit to all of the authorities too. In October 2017, the pilot bid submitted estimated that for 2018/19 there could be a benefit of just under £17 millions to geographic Devon of which nearly £10 millions could come to the County Council. District Councils (the Billing Authorities) which operate the business rates system have provided updated estimates at the end of January 2018, which indicate that the gain to geographic Devon will increase and the benefit to this Authority could increase to £16.6 millions.

There is however increased risk in relation to any Collection Fund deficit in the following year. The Authority's share of any deficit for the year of the Business Rates Pilot would increase from 9% to 59% - the same percentage as its share of local rates. Consequently, the Authority has made a contribution of £5 millions to the Business Rates Risk Reserve to cover any deficit arising in 2019/20.

The pilot is included within the summary revenue budget Key Table 1 page 13. This amount remains an estimate and the final sums will not be known until the end of the Pilot year.

Being part of the Pilot means that the make-up of the authority's Core Funding will be different in 2018/19. The following table sets out the change:

	£millions		£millions
<b>2018/19 Without the Pilot:</b>		<b>2018/19 With the Pilot:</b>	
Revenue Support Grant	(16.3)	Revenue Support Grant	0.0
Business Rates Top-up	(77.7)	Business Rates Tariff	16.2
Business Rates 9% of Local Rates	(21.2)	Business Rates 59% of Local Rates	(138.7)
	(115.2)		(122.5)
Rural Services Delivery Grant	(7.5)	Rural Services Delivery Grant	0.0
Top-up Adjustment	0.2		
<b>Total</b>	<b>(122.5)</b>	<b>Total</b>	<b>(122.5)</b>

The main change is the authority moving from receiving 9% of the Local Rates in Devon to receiving 59%. To offset this increase Government will 'roll-in' RSG and the Rural Services Delivery Grant and change the authority's status from a Top-up authority to a Tariff authority. Being a Tariff authority means that the Government assumes that the Authority will receive £138.7 million of Business Rates, of which £16.2 millions must be paid to Central Government. The estimated benefit to the authority of £16.6 millions outlined above comes from the ability to retain the growth in local business rates rather than any change to our Core Funding.

Although the authority is hopeful that the Pilot will be extended from one year to two, Central Government is currently stating that the Devon Pilot is for 2018/19 only and the MTFS is based on a return to the 50% scheme in 2019/20.

In December, Central Government announced its intention to move to 75% Business Rates Retention from 2020/21 with the Public Health grant being 'rolled-in'. There is not currently sufficient information to allow this to be modelled with any accuracy; the MTFS is, therefore, based on a continuation of the 50% scheme.

### **Fairer Funding Review**

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

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

A national technical steering group and several sub-groups have been established to provide information and expert advice to support the Local Government Association and the Ministry of Housing, Communities and Local Government (MHCLG) (formerly DCLG) in advising Ministers on the setting up and implementation of the new system. Central Government expects this new system to be in place in 2020/21.

The focus of the Government's review has three closely related strands of work:

#### **1. Relative needs**

2. Relative resources, and

3. Transitional arrangements.

The consultation paper issued by MHCLG on 19 December 2017 discusses the high-level principles of the design of the system. Further technical papers concerning transitional arrangements (damping) and how the system will take into account the resources that can be raised locally are expected in the Spring.

The current consultation paper poses 21 questions and has six chapters which cover:

- 1 Introduction and the case for change
- 2 Measuring need
- 3 Common cost drivers
- 4 Service-specific cost drivers
- 5 Weighting funding formulas and cost drivers
- 6 Equalities impacts

The proposed approach is to base the assessment of relative needs on a small number of forward looking cost drivers (or at least, smaller than the 120 indicators currently used) within a transparent process for establishing the weightings between these indicators.

The authority will respond to the consultation and seek to ensure that factors that particularly impact on Devon, such as sparsity and an aging population are taken into account. It is too early to undertake any modelling on the potential impact of this review; the MTFS is, therefore, based on the current funding model.

### **Improved Better Care Fund**

In 2016/17 Central Government announced an additional £1.5 billions nationally by 2019/20 to fund an Improved Better Care Fund. The grant is distributed to authorities with Social Care responsibilities based on a formula that takes into account need and Council Tax raising ability.

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

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

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Original Improved Better Care Fund	0.2	10.2	19.7
Additional Improved Better Care Fund	15.2	10.2	5.0
<b>Total</b>	<b>15.4</b>	<b>20.4</b>	<b>24.7</b>

No announcement has yet been made on the level of grant the authority can expect in 2020/21 or 2021/22; the MTFS assumes the grant ongoing at £19.7 millions.

### **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 increase permitted before a referendum is required. In 2017/18 the Government 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 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 MTFS assumes an increase in Council Tax for the Adult Social Care Precept of 2% in 2018/19 and 1% in 2019/20.

### **Council Tax**

There has been in place for some years legislation that prevents Local Authorities from increasing Council Tax by more than a specified limit without seeking approval from residents via a referendum. Although this limit is set by Central Government annually it has remained at 2% for many years. As part of the Provisional Local Government settlement announced in December, the Secretary of State announced that the increase that will trigger the need for a referendum will increase by 1% to 3%. Central Government has since clarified that this increase is for 2018/19 only but will be reviewed for future years in the context of prevailing inflation. The MTFS takes a prudent view and assumes that the increase to 3% will be for 2018/19 only and that from 2019/20 will return to 2%.

The other important factor in relation to Council Tax is the growth in the Council Tax Base. For 2018/19 the Base has increased by 1.5%; the MTFS for 2019/20 onwards assumes this level of increase will be ongoing.

### **Schools Funding**

In August 2017 the government finalised the introduction of the new National Funding Formula (NFF) for schools. For 2018/19 the NFF will set notional allocations for each school, which will be aggregated and used to calculate the total schools block received by the local authority. While it remains the government's intention that school's budget should be set on the basis of a single national formula the local authority will continue to determine the final allocation for the school through a local formula for 2018/19 and 2019/20.

As a low funded authority we have been grateful of the additional £7.1 millions (1.9%) with a total increase of £13.2 millions (3.5%) proposed within the NFF when fully implemented in 2020. The authority with the support of schools and MPs continues to state our concerns that although this is a step in the right direction the still needs to be further reviews around the funding levels.

For 2018/19 financial year in agreement with the Schools Forum Devon has moved as much towards the full implementation of the NFF that the funding envelope will allow and decided to not seek a movement of funds between blocks. However, High Needs continues to be under considerable budgetary pressure and before any management action or identification of savings there is an additional budget requirement for 2018/19 of £1.9 millions.

The Early Years national funding formula allocates funding to the local authority for the childcare entitlement for 2, 3 and 4 year olds. 2018/19 sees the first full

year for the additional 15-hour entitlement (30 hour childcare policy) reflecting the increase in funding of £4.3 millions.

### **Public Health**

The Public Health grant remains ring fenced for 2018/19. The value of the grant for 2018/19 is £27.512 millions which represents a reduction of £726,000 (2.6%) on the grant received in 2017/18. A letter from Public Health England (21.12.17) gives an indicative further grant reduction by 2.6% for 2019/20 and notes that the ring-fencing should still be removed beyond 2020 subject to the assurance arrangements between Public Health England and the Department for Health.

### **Equality of Funding**

The County Councils' Network (CCN) has assessed that over the next two years, residents in Shire County areas will receive just £161 of core funding per head by the end of the decade compared to an England average of £266 and £459 in London.

The over 65s population growth in county council areas increased on average by 10% between 2013 and 2016, higher than any other part of England and the national average, and ten times steeper than average county population growth of 1.74%.

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.

As outlined above the Government has recognised this inequality and introduced additional funding for sparsely populated areas. For 2018/19 Devon County Council will receive an additional £9.56 per head of population (£7.68 in 2017/18), which although welcome is not sufficient to address fully the inequality of the disproportionate reductions for 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.

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

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Devon	63%	67%	71%	74%	75%
Shire County Average	63%	67%	71%	74%	76%
All Authorities Average	50%	53%	57%	60%	62%

The Education Skills Funding Agency has published information for local authorities and schools on revenue funding for 2018/19, which is the first year of transition of the National Funding Formula.

Although Devon has seen an increase of just over £7 millions we still receive below average funding. If Devon's schools were funded at the average level we would receive an additional £22 millions per annum. For 2018/19, the average grant per pupil received by Devon will be £4,360, which is £269 less than the national average of £4,629.

In 2018/19, Devon's public health grant is £35 per head of population compared to a national average of just over £57. This is the 9th lowest funding per head of population of 152 local authorities, with £30 being the lowest and £132 being one of the highest. Had Devon been funded at the national average then it would have received an additional £17.5 millions.

## **Future Spending and Balancing the Budget**

### **Pressures, Savings and Efficiencies**

The ongoing reduction in the authority's core funding coupled with increasing price and demand pressures, particularly in Social Care, makes the balancing of the budget increasingly difficult each year. This is of course not unique to Devon, it is a national issue across Local Government, but that is little consolation.

The service budgets on pages 39 to 85 details the pressures and savings within the 2018/19 budget. We will not replicate them here, but will pick up on some of the key headlines that impact not only 2018/19 but into the medium term.

Adult Social Care continues to face the challenges of providing services for an increasing ageing population with people in Devon aged over 75 projected to increase by 3.2% next year. If this increase translated through to demand for services, it would mean approximately an additional 225 people requiring social care next year. There is continuing growth in demand for disability services, and also significant cost pressures in the care markets, largely due to increasing labour cost, and the need to ensure sufficient supply of care of the right quality is a continual challenge. The impact of the National Living Wage (NLW) increase is a key driver of price inflation in the care markets as it impacts directly on the price of labour. NLW is estimated to add in the region of £4.1 millions to the cost of adult social care services in 2018/19 alone with the ongoing pressure estimated at close to £3 millions. In addition, workforce recruitment and retention in the care markets remains an issue, with a particular shortage of nurses which in turn, drives up unit costs of nursing care packages.

In Children's Social Care the greatest cost pressures centre on the lack of sufficiency of appropriate placements both locally and nationally, particularly for those placements meeting the increasingly complex needs of children and young people.

During 2017/18 the number of children in care has been consistently lower than anticipated when the budget was set but the type of package of care that some require is changing significantly. A greater number of children are in residential placements and consequently this is leading to a substantial financial pressure on the budget. This is exacerbated by the inability to recruit the level of in-house foster carers needed which would otherwise enable more children to step down into lower cost, but still appropriate, placements.

School Transport continues to be challenging with increased budget pressures for 2018/19 of £1.532 millions. This is predominantly within personalised transport due to increases in national living wage and contract inflation. Whilst there has been a relatively small rise in pupils accessing the service the average unit cost has risen by £700 to £6,600 per pupil.

In addition to these pressures there is also the end of the public sector pay cap and the need for investment in the authority's ICT infrastructure to keep pace with the digital delivery agenda.

The following table sets out the savings required to balance the budgets in 2018/19 and into the medium term. As discussed earlier, there is however significant uncertainty over funding for Local Government after 2019/20 so these figures are very much a best estimate and will need to be refreshed as the Government's intentions crystallise.

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Savings Required	(20,842)	(17,597)	(15,543)	(13,455)
Savings Identified	(20,842)	(6,619)	(2,342)	(1,386)
Savings to be Found	0	(10,978)	(13,201)	(12,069)

### **Doing what matters - A Purposeful Approach**

Over the past 18 months, Devon County Council has been developing and implementing an ambitious transformation approach: "Doing What Matters".

Senior leaders are being supported to challenge the way they think, test their assumptions and review the way Devon County Council's work is designed and managed. In doing this, the Leadership Group and Cabinet have agreed a new citizen focussed purpose: "To help create a Devon where everyone can live their life well". This new purpose will help the Council move away from functionalising and specialising its work, and help senior leaders to look across teams and functions and see the work that Devon County Council delivers from a citizen's perspective. The Leadership Group and Cabinet have identified nine detailed areas (sub purposes) that sit under the overall purpose:

1. I can become and remain independent
2. I can get the best start in life
3. I can get from A to B
4. I can learn
5. I can stay healthy
6. I can keep my environment safe and looking good
7. I can prosper
8. I can keep safe
9. I can see that good decisions are being made

Devon County Council's transformation approach focusses on building new leadership capability to enable leaders to think differently, and act differently to meet the Council's purpose. Fundamentally, leaders need to be connected to the experiences of citizens; and understand what it feels like for people in Devon right now. Only when they truly have that understanding and have developed new leadership skills can they be clear on what they need to do to help people live their lives well, and intervene in a systemic way to secure better outcomes at lower cost.

Leadership Group and Cabinet have developed a set of principles that explain how the Council will work to achieve its purpose, and are being supported to think, lead and behave differently.

It is intended that this approach will roll out across the whole organisation over the next three years. It will be focussed on building new leadership capability which will lead to redesigned systems, new measures and a new approach to change.

## **Moving towards a Digital Devon**

Devon is on the journey to becoming a digital Council, recognised in the top 100 Digital Leaders in 2017/18

Our focus is on 'doing what matters' with digital and the role that digital can play in helping people to live their lives well. Digital is really central to the purposeful systems approach/doing what matters and realising the benefits of the investment DCC has made in the community and DCC's own infrastructure. Developing Digital solutions is a key enabler for saving strategies and ensuring the Council can operate in a modern and efficient way to meet customer expectations.

Our digital principles guide the way we work:

- get close to the customer
- understand the problem that needs to be solved, in context
- use digital tools when they are appropriate
- build, test, listen and improve digital solutions ensuring the purpose, impact and value are understood.

The key themes and priorities for the digital journey include:

- Connectivity & Infrastructure, enabling digital inclusion for all communities, helping them live their lives well, and supporting business and economic growth.
- Skills & Knowledge, Helping people and communities benefit from connectivity through training, support and awareness and developing a skilled and digitally knowledgeable local workforce.
- Democracy & Engagement, Opportunities to bring digital to the heart of decision making and supporting democracy in action such as webcasting and social media. Ensuring Accessible information for all our communities that meets recognised standards e.g. British Sign Language
- Tools & Transactions, Doing business with the Council online eg. payments, online chat, report-it, e-marketplace/procurement, self-serve, etc
- Data & Intelligence , moving towards Open data standards to improve collaboration with partners and the public. Enabling Data and intelligence to be better utilised to make good decision making and ensuring our data is safe and secure.

## **Working in Partnership**

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

In 2017 the Council published a Communities Strategy, articulating a vision and set of responses to develop capability and capacity, and improve outcomes across Devon's communities. The Strategy reflects a collaboration of input, activity and views from across a wide range of partners and communities. Its ongoing implementation and development is an iterative process which will continue to be further reviewed and informed by the Council and its partners. Therefore, the delivery of the strategy, to be truly effective, will be best achieved in partnership and through collaboration.



The Council's strategy and related plans for implementation reflect its ambition for collaboration on key themes alongside the reality and complexity of working across partnerships to this end. The Council will prioritise activity around crowdfunding; to encourage and highlight local innovation and collaboration; linking this to Council funding through a shared crowdfunding platform. This platform will be open to public one-off donations, partner contributions and institutional investment. This will attract and leverage funding to Devon and has the potential to better align the Council's spending to local priorities. In addition, the Council and District Councils have renewed their commitment to local funding in partnership to local communities. The renamed Communities Together Fund will bring much needed funding to community led collaborative projects and develop further local communities' capability and capacity.

The council continues to see strong partnerships as the preferred and most effective route to tackling the key challenges and significant strategic themes facing Devon, and continues to successfully use 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.

### **Better Care Fund & Pooled Budgets**

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 and removes organisational boundaries and siloed funding streams. It is the most significant financial vehicle that national government uses to promote the integration of health and social care as part of its national policy agenda. The Devon pooled budget currently amounts to £77.8 millions 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 for its residents and has the scope to deliver efficiency savings for the local health and social care economy. In the spring budget 2017 the government announced one off additional monies for adult social care branded as the iBCF and this is subject to the same arrangements as the original BCF.

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

- The plan must be jointly agreed between the council and the CCGs;
- The CCG financial contribution to social care must be agreed. In Devon this is currently £12.7 millions;
- There must be agreement to invest in NHS commissioned out of hospital services; and
- There must be a plan to manage transfers of care across the health and care system.

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

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

- Delayed Transfers of Care (DTC)

Improving DTC rates has been a significant priority nationally with each area being closely monitored on performance with the potential for under-performing areas to have their BCF monies directed by national bodies. Devon has met its performance target and therefore is not subject to national direction on use of BCF funds. It will still need to comply with the national conditions and meet ongoing performance targets as part of national monitoring of performance.

### **Devolution**

The authority has entered into a Joint Committee arrangement with Somerset County Council; Torbay Council; Plymouth City Council; thirteen Devon and Somerset District Councils; Exmoor and Dartmoor National Parks; the three Clinical Commissioning Groups and the Heart of the South West Local Enterprise Partnership. The Joint Committee is working together to develop a Productivity Strategy and Delivery Plan for the area to replace the Single Economic Plan. This will be used as the basis of negotiation with Government for a Devolution deal and to secure funding from the Government's Industrial Strategy.

The Heart of the South West Productivity Strategy sets out the collective vision to boost the economic potential of the area and to deliver greater prosperity to all. The Joint Committee is looking to its collective resources to help support its vision and to negotiate with Government to pass down a range of powers and funding streams to a local level to improve the efficiency and effectiveness of delivery.

This is a long term project that will focus on a range of offers and asks to Government to improve digital and physical connectivity, infrastructure, skills and employment opportunities, business growth and innovation and will, through a new strategic investment arrangement help our businesses, people and communities to realise their full potential for prosperity and wellbeing.

### **Reserves & Balances**

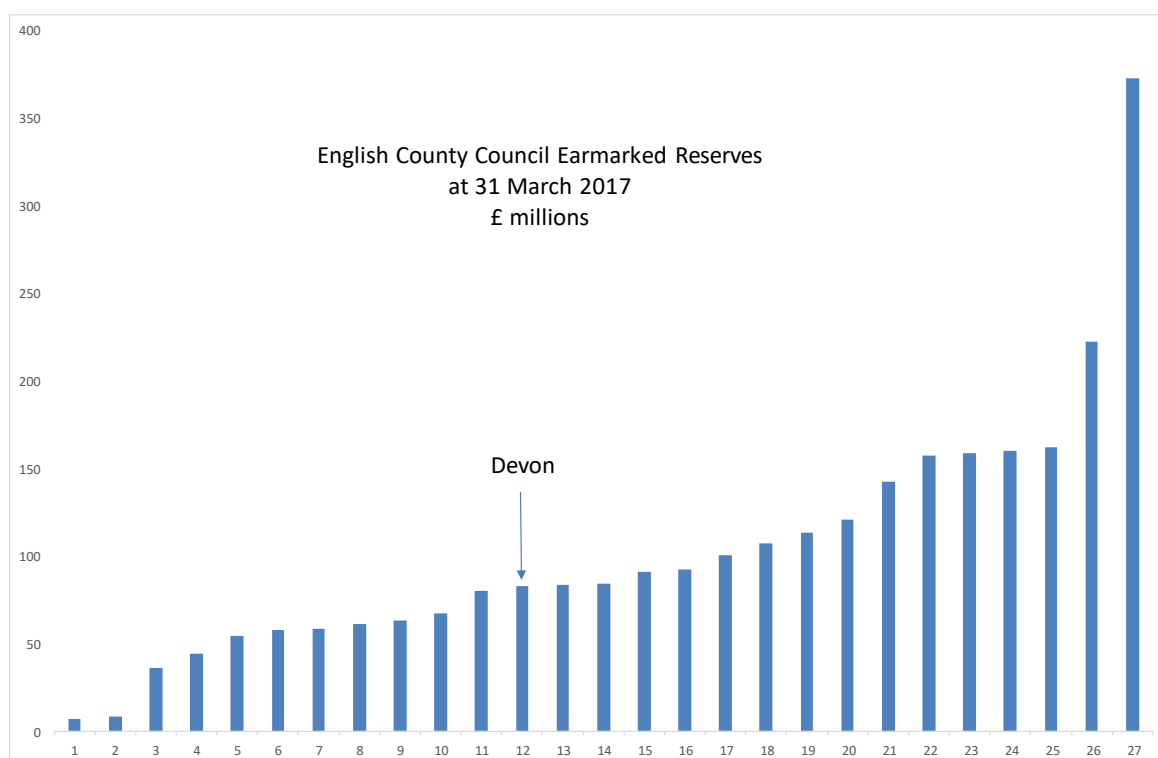
Earmarked reserves are held to meet the cost of the unexpected and where possible to contain budget overspending. As reserves diminish the facility to manage these events becomes more difficult.

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. At 31 March 2017 Devon's earmarked reserves were 12th lowest out of 27 County Councils. Although this represents an improvement on 2016 when Devon was 7th lowest, the reserves in March 2017 included £11.6 millions achieved by changing the Minimum Revenue Provision policy in 2015/16. This sum was set aside to help reduce the level of savings required in 2017/18 when the greatest level of savings would, otherwise, be required.

The following chart shows the earmarked reserves (including budget carry forwards) for the twenty-seven 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:

The Treasury Management Strategy on pages 107 to 134 sets out a proposal that will reduce the 2017/18 Minimum Revenue Provision (MRP) by £10.916 millions. This will be placed in reserves at the end of 2017/18 and used to fund MRP over the next four years. The projected reserves below include this sum and £5.0 millions relating to increased Business Rates Collection Fund risk due to the Business Rates Pilot changing the authority's share of any Deficit from 9% to 59%.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Projected Year End Balance	69,823	65,330	60,024	61,486	62,980

There are further risks that need to be considered. In addition to earmarked reserves, there are £14.7 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 & 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 22 to 38.

Since 2009 the Council has followed a policy of taking out no new external borrowing and repaying debt whenever this can be undertaken without incurring a financial penalty. The Capital Programme has been significant during this period with further substantial investment within the County planned but new starts have been limited to those that were financed from sources other than borrowing. The new starts added to the Capital Programme is shown on pages 22 to 38.

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 £42.7 millions in 2018/19.

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 Community Infrastructure Levy (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 means 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 22 to 38.

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 135 to 145.

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 Council has now coped with eight years of the local impact of national austerity. During this time it has found savings of £251.2 millions. It has taken ingenuity, adroitness and dedication to maintain the fabric of services, cope with increased demand pressures and still balance the books.

As yet there seems no end in sight to austerity. Since 2016/17 the Council has been helped by a four year funding settlement which has given certainty for the core funding received from central government. This has helped us to plan ahead for reductions. These four year settlement will end in 2019/20. Consultations are taking place on different ways of funding Local Government. The Business Rates pilot may be the first step on being more in control of a financial destiny. But we do not know this for sure. Over the latter part of the MTFS there could be great changes in funding streams and the Council will have to cope both with the impact of austerity and uncertainty.

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# **County Fund Balance and Earmarked Reserves 2018/19**

## **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 2018 are forecast at just under £14.7 millions which achieves the minimum target for balances established by the risk assessment exercise, so no additional contribution to general balances is proposed for 2018/19. 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.

Current budget monitoring indicates that for 2017/18 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 135 to 145. 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						
Area of Risk	Potential Level of Risk				Mitigation	
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000		
<b><u>Adult Care and Health</u></b>						
Adult Care Operations and Health	6,676	6,676	8,011	8,011	All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.	
Adult Commissioning and Health	677	677	813	813		
<b><u>Children's Services</u></b>						
Children's Social Work and Child Protection	3,367	3,367	3,367	3,367		
Education and Learning - General Fund	1,311	1,311	1,311	1,311		
<b><u>Community, Public Health, Environment and Prosperity</u></b>						
Communities and Other Services	243	243	121	121	All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.	
Economy, Enterprise and Skills	145	145	145	145		
Planning Transportation & Environment	248	248	248	248		
Public Health	290	290	290	290		
<b><u>Corporate Services</u></b>						
Chief Exec, Legal and Communications	85	85	85	85	All budgets are subject to control and risk management arrangements. It is unlikely that all budgets would overspend at the same time.	
Digital Transformation and Business Support	307	307	307	307		
Human Resources and Organisational Development	140	140	140	140		
Treasurer's Services	208	208	208	208		
<b><u>Highways, Infrastructure Development and Waste</u></b>						
Infrastructure Development & Waste Management	325	325	325	325		
Highways and Traffic Management	585	585	293	293		
<b>Total</b>	<b>14,607</b>	<b>14,607</b>	<b>15,664</b>	<b>15,664</b>		

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 Treasury Management Strategy on page 107 to 134 sets out a proposal that will reduce the 2017/18 Minimum Revenue Provision (MRP) by £10.916 millions.

This will be placed in reserves at the end of 2017/18 and used to fund MRP over the next four years. The projected reserves below include this sum.

The Business Rates Risk Reserve has been increased in 2018/19 to manage the risk of the Business Rates Collection Fund Deficit. The deficit arises because actual business rates have in previous years been lower than the budgeted figures estimated by the District Councils. During the Business Rates Pilot the Authority's share of any deficit will increase from 9% to 59%.

## **Dealing with risks and emergencies**

There are further risks that need to be considered. In addition to earmarked reserves, there are just under £14.7 millions 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 millions. A further £1.4 millions was set aside to provide for repair and reinstatement works. Of this total amount £3.1 millions was met by Government through the Bellwin Scheme. A net revenue cost of £10.5 millions had therefore to be covered by the Authority.

If an event of that magnitude occurred again and the full cost had to be met outside of the revenue budget, after addressing the one-off costs of service reduction, it would be highly unlikely that it could be contained by conventional means. 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 under £14.7 millions, 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 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				
	31.3.18 £'000	31.3.19 £'000	31.3.20 £'000	31.3.21 £'000	31.3.22 £'000
<b>Special Purpose Reserves</b>					
Affordable Housing	142	82	32		
On Street Parking	3,900	1,429	173	667	1,161
Public Health	226				
<b>Subtotal: Special Purpose Reserves</b>	<b>4,268</b>	<b>1,511</b>	<b>205</b>	<b>667</b>	<b>1,161</b>
<b>Specific Contingency Reserves</b>					
Budget Management	22,441	18,441	18,441	18,441	18,441
Business Rate Risk Management	3,740	8,740	3,740	3,740	3,740
Emergency	16,500	16,500	16,500	16,500	16,500
Minimum Revenue Provision Risk Reserve	10,916	10,916	10,916	10,916	10,916
Service Transformation	11,958	9,222	10,222	11,222	12,222
<b>Subtotal: Specific Contingency Reserve</b>	<b>65,555</b>	<b>63,819</b>	<b>59,819</b>	<b>60,819</b>	<b>61,819</b>
<b>Total Earmarked Revenue Reserves</b>	<b>69,823</b>	<b>65,330</b>	<b>60,024</b>	<b>61,486</b>	<b>62,980</b>

**COUNTY FUND BALANCES**

**£'000**

**Estimated balance as at 31st March 2018**

**14,679**

**Add contribution in 2018/19**

**0**

**Estimated balance as at 31st March 2019**

**14,679**

Note: The estimate of both working balances and earmarked funds as at March 2018 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 31.03.18 £'000	Estimated Spending £'000	Estimated Income £'000	As at 31.03.19 £'000
Affordable Housing	142	60		<b>82</b>
On Street Parking	3,900	2,471		<b>1,429</b>
Public Health	226	226		<b>0</b>
Budget Management	22,441	4,000		<b>18,441</b>
Business Rate Risk Management	3,740		5,000	<b>8,740</b>
Emergency	16,500			<b>16,500</b>
Minimum Revenue Provision Risk Reserve	10,916			<b>10,916</b>
Service Transformation	11,958	2,736		<b>9,222</b>
<b>Total Earmarked Revenue Reserves</b>	<b>69,823</b>	<b>9,493</b>	<b>5,000</b>	<b>65,330</b>

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

# **TREASURY MANAGEMENT STRATEGY 2018/19 – 2020/21 AND PRUDENTIAL INDICATORS 2018/19 - 2022/23**

## **Introduction**

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. A revised Code of Practice was published by CIPFA in December 2017, and requires the Council to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). These policies have been reviewed for 2018/19 in the light of the revised code and revised TMPs have been submitted for approval.

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

The prudential indicators, treasury management strategy and the annual investment strategy have been reviewed in line with the Capital Programme 2018/19 – 2022/23.

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.

In late 2017 the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on proposed changes to the Guidance on Local Authority Investments, which included proposals on the Minimum Revenue Provision (MRP), which if implemented, will have a detrimental financial impact on the Authority. MHCLG have not published the final guidance at this time, however it is expected to be in place for the 2018/19 Financial Year.

As part of the consultation, MHCLG proposed to set a maximum asset life to which borrowing associated with assets can be spread over. The proposed asset life is less than the asset life currently used by the Authority and will therefore increase the annual MRP cost. The estimated impact of the change would be an annual increase of £2.4 millions to the revenue budget in respect of MRP.

The Authority has responded to the consultation to say that it does not agree with this proposal, however as the final response has not been forth coming, has identified actions to mitigate against them.

In October 2015 the Authority reviewed its Policy on calculating the MRP required to be set aside from the revenue budget each year. This review resulted in a switch from a 4% reducing balance, to an asset life methodology approach. In addition to generating a reduction in the annual MRP budget, it also resulted in an accumulated provision held in the Capital Financing Requirement (CFR) on the balance sheet, in excess of that required under the new methodology.

As part of the 2017/18 MRP statement, we are now looking to release part of this over provision from the CFR and set aside in reserves to contribute towards the potential MRP increases required in future years. It is proposed to release £10.9 millions of the over provision using a MRP abatement in year, and placing the revenue budget saving into reserves to be set aside to meet the expected increases. This action does not impact on the level of borrowing, or the final repayment timeframe, just the phasing of MRP set aside, therefore the MRP Policy remains prudent and this action helps to mitigate the financial impact of the proposed changes.

The opportunity to make this adjustment will no longer be open to Local Authorities in the near future as it is anticipated that new guidance issued by the MHCLG, commencing in 2018/19, will suggest that any such over provisions remain within the CFR, subject to an exception that does not apply in this instance.

The MRP policy for 2018/19 will remain the same as that adopted for 2017/18. All borrowing (including Vehicle and Equipment Loans Pool), Capitalisation Direction and charges to other public sector bodies and PFI costs will be charged on the period of benefit of the capital investment (on a straight-line basis).

## **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**

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
<b>Total Capital programme</b>	<b>105,640</b>	<b>112,282</b>	<b>72,776</b>	<b>68,928</b>	<b>65,663</b>
Funded by:					
<b>Gross borrowing</b>	3,781	4,833	5,200	4,218	1,200
<b>Other capital resources</b>	101,859	107,449	67,576	64,710	64,463
<b>Total capital programme funding</b>	<b>105,640</b>	<b>112,282</b>	<b>72,776</b>	<b>68,928</b>	<b>65,663</b>
<b>Total capital expenditure</b>	<b>105,640</b>	<b>112,282</b>	<b>72,776</b>	<b>68,928</b>	<b>65,663</b>

## 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 2018/19 and the following four years are shown in table 2 below.

**Table 2 – Capital Financing Requirement**

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Underlying borrowing requirement	604,043	609,859	614,043	618,245	619,430
Other long-term liabilities	133,717	128,637	123,888	118,485	112,918
<b>Capital financing requirement</b>	<b>737,760</b>	<b>738,496</b>	<b>737,931</b>	<b>736,730</b>	<b>732,348</b>

### 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 2018/19 – 2022/23.

**Table 3 – Authorised Limits**

	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Authorised limits for borrowing	644,043	649,859	654,042	658,245	659,430
Authorised limit for other long-term liabilities	133,717	128,637	123,888	118,485	112,918
<b>Authorised limit for external debt</b>	<b>777,760</b>	<b>778,496</b>	<b>777,930</b>	<b>776,730</b>	<b>772,348</b>

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 2018/19 and following years.

**Table 4 - Operational Limits**

	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Operational limits for borrowing	619,043	624,859	629,043	633,245	634,430
Operational limit for other long-term liabilities	133,717	128,637	123,888	118,485	112,918
<b>Operational limit for external debt</b>	<b>752,760</b>	<b>753,496</b>	<b>752,931</b>	<b>751,730</b>	<b>747,348</b>

The forecast opening balance for External Borrowing at 1 April 2018 is £507.85 million and remains unchanged at 31 March 2019.

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**

	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Capital financing requirement	737,760	738,496	737,931	736,730	732,348
Gross borrowing and other long-term liabilities	646,796	641,567	636,487	631,738	626,335
<b>Under/ (over) borrowing</b>	<b>90,964</b>	<b>96,929</b>	<b>101,444</b>	<b>104,992</b>	<b>106,013</b>

The debt management strategy and borrowing limits for the period 2018/19 to 2022/23 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 2018/19 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**

	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Minimum revenue provision	17,028	16,304	16,170	15,656	15,649
Interest payable	26,017	26,017	26,017	26,017	26,017
Recharges and other adjustments	(350)	(327)	(480)	(666)	(838)
Interest receivable	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Capital financing cost (excluding other long-term liabilities)	41,695	40,994	40,707	40,007	39,828
Capital financing costs of other long-term liabilities	15,362	14,625	14,901	14,636	14,689
Capital financing costs including other long-term liabilities	57,057	55,619	55,608	54,643	54,517
Estimated net revenue stream	<b>511,841</b>	<b>509,273</b>	<b>530,943</b>	<b>544,400</b>	<b>544,400</b>
<b>Ratio of financing costs (excluding other long term liabilities) to net revenue stream</b>	<b>8.15%</b>	<b>8.05%</b>	<b>7.67%</b>	<b>7.35%</b>	<b>7.32%</b>
Ratio of financing costs (including other long-term liabilities) to net revenue stream	11.15%	10.92%	10.47%	10.04%	10.01%

### **Incremental Impact on Council Tax**

The incremental impact on Council Tax of the investment decisions made in setting the 2018/19 Capital Programme is shown in table 7.

**Table 7 – Impact on Council Tax**

	<b>2018/19 Estimate £'s</b>	<b>2019/20 Estimate £'s</b>	<b>2020/21 Estimate £'s</b>	<b>2021/22 Estimate £'s</b>	<b>2022/23 Estimate £'s</b>
Incremental impact on band D council tax payers of investment decisions funded by borrowing	(0.23)	(1.33)	(2.08)	(1.65)	(1.24)
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
<b>Incremental impact on band D council tax payers of capital investment decisions made in setting the 2018/19 MTCP</b>	<b>(0.23)</b>	<b>(1.33)</b>	<b>(2.08)</b>	<b>(1.65)</b>	<b>(1.24)</b>

## 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 2018/19 and beyond are set out in Table 8 below:

**Table 8 – Treasury Management Prudential Indicators**

<b>Prudential Indicators</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
	<b>%</b>	<b>%</b>
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 2017 and 31 December 2017 (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**

	<b>Actual 31.03.17 £'m</b>	<b>Interest Rate %</b>	<b>Current 31.12.17 £'m</b>	<b>Interest Rate %</b>
<b>Fixed Rate Debt</b>				
PWLB	436.35	4.99	436.35	4.99
Money Market	71.50	5.83	71.50	5.83
<b>Variable Debt</b>				
PWLB	0.00		0.00	
Money Market	0.00		0.00	
<b>Total External Borrowing</b>	<b>507.85</b>	<b>5.11</b>	<b>507.85</b>	<b>5.11</b>

## Schedule of Investments

The following schedule shows the County Council's fixed and variable rate investments as at 31 March 2017 and as at 31 December 2017 (current).

**Table 10 – Schedule of Investments**

	Maturing in:	Actual 31.03.17* £'m	Interest Rate %	Current 31.12.17* £'m	Interest Rate %
<b>Bank, Building Society and MMF Deposits</b>					
<b>Fixed Rates</b>					
Term Deposits	< 365 days	66.50	0.66	110.00	0.62
	365 days & >	0.00		0.00	
Callable Deposits					
<b>Variable Rate</b>					
Call & Notice Accounts		30.00	0.75	17.50	0.75
Money Market Funds (MMFs)		20.74	0.29	28.66	0.34
<b>Property Fund</b>		10.00	4.45	10.00	4.42
<b>All Investments</b>		<b>127.24</b>	<b>0.92</b>	<b>166.16</b>	<b>0.81</b>

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 now anticipated that the cash balances at 31st March 2018 will be broadly similar to those at the start of the year.

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

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

## Prospects for Interest Rates

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

\* The figures as at 31 March 2017 and 31 December 2017 include respectively around £14.6m and £12.8m related to the Growing Places Fund (GPF). Devon County Council has agreed to be the local accountable body for the GPF, which has been established by the Department for Communities and Local Government to enable the development of local funds to address infrastructure constraints, promoting economic growth and the delivery of jobs and houses. The Council is working in partnership with the Local Economic Partnership, and interest achieved on the GPF cash, based on the average rate achieved by the Council's investments, will accrue to the GPF and not to the County Council.

external advisor, Capita, who forecast future rates several years forward. Similar information is received from a number of other sources.

At the beginning of November 2017, the Bank of England Monetary Policy Committee decided to remove the post EU referendum emergency monetary stimulus implemented in August 2016 and restore the Base Rate to 0.5%. At the same time, they also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020.

Economic forecasting remains difficult with so many external influences weighing on the UK. Bank rate forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e. equities, or the “safe haven” of government bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. A world economic recovery will likely see investors switching from the safe haven of bonds to equities. However, the outlook remains extremely uncertain. Risks to the downside include:

- Continuing uncertainty as a result of Brexit.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Rising protectionism under President Trump.
- A sharp Chinese downturn and its impact on emerging market countries.

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 will increase the base rate by at least another 0.25% over the next financial year, but significant uncertainty remains. The longer-term rates available from the Public Works Loan Board (PWLB) are forecast to increase marginally over the period.

**Table 11 – Base Rate Forecasts and PWLB Rates**

	<b>Dec (act) 2017</b>	<b>March 2018</b>	<b>June 2018</b>	<b>Sep 2018</b>	<b>Dec 2018</b>	<b>March 2019</b>
<b>Base Rate</b>						
Capita	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%

	<b>Dec (act) 2017</b>	<b>March 2018</b>	<b>June 2018</b>	<b>Sep 2018</b>	<b>Dec 2018</b>	<b>March 2019</b>
<b>PWLB Rates</b>						
Capita forecast						
<b>10 Year</b>	2.31%	2.20%	2.30%	2.40%	2.40%	2.50%
<b>25 Year</b>	2.85%	2.90%	3.00%	3.00%	3.10%	3.10%
<b>50 Year</b>	2.58%	2.60%	2.70%	2.80%	2.90%	2.90%

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 2018/19 – 2020/21**

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

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

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without incurring a financial penalty. This strategy has worked well in a period of austerity. The Council's external borrowing level has reduced by £102m since 2008/09, resulting in reduced Capital Financing Charges.

The capital programme continues to include new starts funded by grants or capital receipts but with no requirement for new external borrowing. There is no expectation that government funding will deviate from its current downward trajectory. The authority faces significant challenges in balancing its revenue budget in the coming years and it is therefore difficult to imagine how significant additional borrowing could be financed. As a result, the Medium Term Financial Strategy (MTFS) continues to assume that, over the three year period, no new long-term borrowing will be required, although this will be kept under review.

The potential to repay further debt, or refinance debt at lower rates, will continue to be closely monitored. The ability of the Council to repay further debt will depend on the cost of repayment and the availability of cash to fund the repayment.

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

benefit of repayment. Therefore, it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise and cancel out the repayment premiums. 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 2018 the Council will have cash balances of around £125m. 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. With austerity set to continue, there may be a future need to use revenue reserves and internal borrowing to fund the capital programme. This may restrict the availability of cash to repay external debt.

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

## **Investment Strategy 2018/19 – 2020/21**

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 puts more emphasis on the requirement for investors to take a hit by funding a "bail-in". A bail-in is where the bank's creditors, including local authorities depositing money with them, bear some of the burden by having part of the debt they are owed written off. The balance of risk has therefore changed, and as a result the Council has considered alternative forms of investment in order to diversify its risk.

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

up" the local authority to elective professional client status. The Council has made applications and been opted up to elective professional client status where required.

Subject to the MiFID II regulations, a variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down.

The Council has considered these alternatives and concluded that investment in a commercial property fund is a prudent way to diversify risk and achieve a higher yield. UK Gilts and corporate bond funds could still face a challenging environment, whereas the commercial property market stands to benefit from forecast growth in GDP. 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. Those counterparties who have confirmed that they will treat the Council as a professional client under the MiFID II regulations are set out in Table 12 below.

**Table 12 – Counterparties that have “opted up” the Council to elective professional client status**

Counterparty	Counterparty Type
Standard Chartered	UK Bank
CCLA	Property Fund
Standard Life	Money Market Fund
Insight	Money Market Fund

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

Table 13 below summarises the current ‘Approved List’ criteria.

**Table 13 – Counterparty Approved List Summary**

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
<b>UK Banks</b>				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
<b>UK Building Societies</b>				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
<b>Non-Eurozone Overseas Banks</b>				
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
<b>UK Public Bodies</b>				
<b>Central Government</b>				
– Debt Management Office				Unlimited
<b>Local Government</b>				
– 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
<b>Fire &amp; Police Authorities</b>				£5 million
<b>Money Market Funds</b>	AAA	Aaa	AAA	£30 million
<b>CCLA Property Fund</b>				£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.**

The Council has also established 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 2018/19 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.55% p.a. and the yield from investment in the CCLA Property Fund will be 4.50%. The target rate takes into account the November 2017 increase in the Bank of England base rate, which has resulted in increased rates being available compared to those available before the increase. The target we have set for 2018/19 is thought to be one that is achievable.

Given the degree of uncertainty about future economic prospects and the future level of interest rates, MTFS forecasts have been based on the average rates for lending to banks and building societies continuing to be 0.55% for 2019/20 and 2020/21. However these will be reviewed in the light of changes to the rates on offer from the Council's counterparties over the MTFS period.

## **Investments that are not part of treasury management**

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

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

## **Performance Targets**

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



## **Treasury Management Code of Practice**

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

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

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

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

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

## **Treasury Management Policy**

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

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

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

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

## **Treasury Management Practices**

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

## **TMP1 Treasury Risk Management**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

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

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

### **Liquidity risk management**

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

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

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

### **Interest rate risk management**

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

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

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

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

Interest Rate Risk is not increased by this policy as it is still possible to manage by switching existing loans from fixed to variable or vice versa, or re-scheduling existing debt, i.e. repaying existing debt, and re-borrowing over a shorter, or perhaps longer period. However, the existing arrangements operated by the Board of different rates for repaying loans as to those applied to new advances, mean that such changes are often uneconomic. Regard must always be had of the potential costs of any re-scheduling, as

often they will attract a premium payable to the lender. This point is also referred to later under 'Re-financing Risk.'

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

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

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

### **Exchange rate risk management**

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

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

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

### **Inflation risk management**

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures. During the current period of low and stable inflation, there is little requirement for active consideration of its impact. The key objectives are that investments reap the highest real rate of return, with debt costing the lowest real cost. Should this change, projections of inflation will become part of the debt and investment decision-making criteria, both strategic and operational.

### **Credit and counterparty risk management**

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

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

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

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

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

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

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

### **Refinancing risk management**

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

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

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

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

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

### **Legal and regulatory risk management**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if

required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 'credit and counterparty risk management', it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

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

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

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

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

### **Fraud, error and corruption, and contingency management**

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

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

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

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

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

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

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

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

Deals are entered into the Logotech system, and reports produced from it confirming the details entered, and a current list of all outstanding borrowing and lending. The Barclays.net system is used to electronically transfer funds where deposits have been agreed, or where borrowings are to be repaid. Hard copy confirmation reports of data input to Barclays.net are created, and together with the Logotech reports and the Summary Sheet are passed to another section for checking and validation.

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

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

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

Officers should not disclose or discuss, or press others to disclose or discuss, any information relating to specific deals transacted without permission from the relevant counterparty or broker;

Visits to or from brokers should not be organised without the express permission of a senior officer. Any hospitality received must be declared and recorded;

All deals must be concluded in the Investment Team Office;

The dealer must bear in mind that in accepting a firm price, they are committing the Council to dealing at that rate. If a dealer wishes merely an indicative price, this must be made clear; and

Brokers must be supplied with a copy of the Council's current approved Counterparty Lending List.

### **Price risk management**

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

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

### **Commercial investments**

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

## **TMP2 Performance Measurement**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

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

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

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

Performance is measured against agreed benchmarks.

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

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

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

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

### **TMP3 Decision-Making and Analysis**

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

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

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

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

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

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

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

### **TMP4 Approved Instruments, Methods and Techniques**

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

The following are approved activities performed by Devon County Council:

- Borrowing;

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

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

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

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

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

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

The Council has reviewed its classification with financial institutions under MIFID II and will seek elective professional client status where required in order to access the investment opportunity sets set out in its treasury management policies and strategy. The Council will set out in its annual treasury management strategy those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

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

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

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

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

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



statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover.

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

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

### **Councillors**

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

- The Treasury Strategy Report, setting out the strategy and plans to be followed in the coming year. This report is part of the Budget process;
- A Mid-Year Monitoring Report; and
- An Annual Treasury Management Stewardship Report on the performance of the Treasury Management function, and highlighting any areas of non-compliance with agreed policy.

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

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

### **The County Treasurer**

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

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

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

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

### **The Assistant County Treasurer – Investments and Treasury Management**

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

### **The Treasury Management Team**

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

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

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

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

### **Internal Audit**

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

## **TMP6 Reporting Requirements and Management Information Arrangements**

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

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

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

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

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

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

## **TMP7 Budgeting, Accounting and Audit Arrangements**

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

The Treasury Management Budget or supporting papers will identify

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

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

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

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

## **TMP8 Cash and Cash Flow Management**

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

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

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

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

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

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

## **TMP9 Money Laundering**

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

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

The County Council does not accept loans from individuals. All loans are obtained from the Public Works Loan Board or from authorised institutions under the Banking Act 1987. The names of these institutions formerly appeared on the Bank of England's quarterly list of authorised institutions, but in December 2001, the Financial Services Authority (FSA) took over many of the Bank's responsibilities in this area. In April 2013 the FSA was split up and responsibility passed to the Financial Conduct Authority and it is now responsible for maintaining the register.

## **TMP10 Staff Training and Qualifications**

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

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

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

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

## **TMP11 Use of External Service Providers**

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

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

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

## **TMP12 Corporate Governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this

can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

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

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# **Risk Analysis of Volatile Budgets**

## **Background**

### **Background**

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

The most significant high-risk areas for 2018/19 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action include:-

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

# Risk Assessment

## Adult Care and Health

Service	Budget 2018/19 £'000	Risk and Impact	Mitigation
Demand pressure (across all service types)	£169,285 (net)	<p>Adult Care and Health is a demand led service and as such is required to respond to changing external factors.</p> <ul style="list-style-type: none"> <li>• Demand for Learning Disability care packages has increased significantly over recent years and it is a significant risk that demand continues to increase, particularly with higher numbers of young people transitioning to adult care.</li> <li>• The Devon population aged over 75 is projected to increase by 3.2% over the next year which may translate to 225 new individuals needing packages of care. Very old people require more social care support as their needs are more complex and this could be beyond levels planned in the budget.</li> <li>• Winter brings a very high demand for health and social care services particularly in areas that support the NHS to manage the flow of individuals through hospital via timely discharge from hospital.</li> <li>• Despite demographic pressures the actual level of care home placements made by the Council has been stable recently (DCC currently purchases approximately 3,200 placements as at January 2018) There is a risk in the future that placement volumes will be driven upwards by demographic increases. On average every additional placement costs the authority around £28,000 in a full year</li> <li>• There is a significant number of pending new assessments for people with autism needs, some of which may require ongoing care packages, which would be additional to the level budgeted for. This risk has been estimated to be in the region of up to £1 million.</li> </ul>	<p>A work programme is underway (Preparing for Adulthood) to assess and forecast the future transition demand for services over the medium term, allowing for better assessments and planning, with specialist teams for transition assessments are already in place.</p> <p>A consistent application of eligibility criteria and continued development / enhancement of strategies to promote independence as well as managing demand through early prevention activities.</p> <p>Operational teams have formulated response plans for winter in collaboration with NHS partners and providers in order to prepare as best as possible for winter pressures.</p> <p>There are ongoing strategies to support people in their own home and to prevent reliance on ongoing care wherever possible by earlier intervention and reablement, and increase the proportion of care spending on short term recovery services to target resources most effectively.</p> <p>A new autism team has been set up to specialise in planning and assigning the most appropriate packages of care to people who need it, and the financial impact of new cases will be phased in over the course of the year.</p>
Unit cost pressure (across all service types)	£169,285 (net)	<p>The biggest driver of unit cost pressure is the price of labour in the county, and this is principally driven by changes in National Living Wage, which is rising by 4.4% in April 2018. The effect of the increase in NLW is estimated to add approximately £4.1 millions to the cost of adult social care next year. There is a risk however that labour price growth, and therefore unit costs, exceed planning assumptions.</p> <p>New residential and particularly nursing placements are costing more than the current average of existing</p>	<p>The impact of NLW has been modelled and added to the budget.</p> <p>The budget is set based on actual unit costs as at the time of budget preparation, and inflated for forecast prices changes (including from NLW).</p> <p>Unit costs are monitored on a weekly basis by managers, and there is an escalation process in place for approval of high cost packages.</p> <p>A new approach to commissioning</p>



		placements. Each £1 change in average weekly placement cost equates to approximately £85,000 per year.	placements is currently in development and is expected to begin in April 2018.
Social care workforce	£21,644 (internal workforce only)	<p>This affects both internal DCC social care workforce, and the wider care workforce employed by our commissioned providers.</p> <p>Internally, there are recruitment and retention difficulties for experienced and specialised workers, with a risk that vacancy rates rise and services become increasingly stretched leading to quality and capacity issues such as completion of timely reviews.</p> <p>Externally, commissioned providers face recruitment and retention challenges in respect of care workers. There is a specific challenge in the recruitment of nurses, which is a particular risk area in the nursing sector.</p> <p>External workforce issues risk impacting on unit costs and market sufficiency as supply and costs are interlinked.</p>	<p>Continuing emphasis on Promoting Independence in practitioner Continuing Professional Development programme with next round of training due in February 2018.</p> <p>Practice Quality Assurance case audits to ensure principles of Promoting Independence are being followed in practice</p> <p>The Council has led the 'Proud to Care' campaign now working regionally to promote health and care as a positive career and develop career pathways across the sector.</p> <p>However risks still remain, particularly how Brexit will affect the local labour supply</p>
HMRC enforcement on night working	£36,251	<p>There is pending HMRC enforcement action affecting providers in Devon following legal judgments earlier in 2017 in respect of providers found not to be paying staff in compliance with the National Living Wage for night sitting working.</p> <p>Enforcement action may risk provider failures which could in turn lead to market sufficiency problems.</p> <p>Adverse impacts could be in the region of up to £1 million.</p>	<p>Historic purchasing of sleep in based services has been analysed and risk exposure estimated.</p> <p>Commissioners liaise closely with providers to find ways to manage risk and provider failure.</p> <p>Lobbying of government that retrospective pay awards are funded.</p>
Market sufficiency	£169,285 (net)	<p>The Council has a statutory duty under section 5 of the Care Act 2014 to ensure the sufficiency of social care markets in Devon.</p> <p>The sufficiency of locally available, good quality care at an affordable price is a risk in some areas of the county as providers face a number of challenges including work force and inflationary pressure.</p>	<p>Commissioners monitor the market to identify areas of poor sufficiency so that operational plans can be prepared including interventions if necessary.</p> <p>Focused work with providers facing most difficulties to improve their approach, learning from the best practice of others.</p>
Joint funding of complex care		<p>Tighter application of eligibility for Continuing Health Care can lead to demand for social care rising.</p> <p>Section 117 of the Mental Health Act places a duty on health and social services to provide aftercare for someone detained under the act. The precise allocation of costs is sometimes subject to dispute and as cases can be of high cost, representing a financial risk.</p>	<p>Joint frameworks and relationships with CCG are well developed, including escalation and challenge where appropriate.</p> <p>There are established protocols for apportionment of costs, which are updated regularly, and established processes for agreement of funding in individual circumstances.</p> <p>Work is on-going to streamline processes for how section 117 cases are funded, which will result in a more efficient process.</p>

Mental Health and Disability repatriations	£105,130	<p>Up to 40 individuals with Mental health needs originally from Devon are currently placed in care placements in other parts of the UK, but are expected to be relocated back to Devon in the near future.</p> <p>The Transforming Care Partnerships (Learning Disability) programme could result in individuals who are currently in NHS funded placements in hospitals around the country, being transferred back to a Devon care setting where there may be a requirement for adult social care support.</p> <p>There is a risk that placements made back into Devon will be at a higher cost, or a greater responsibility for funding will fall to social care budgets, or both. Potential costs for mental health needs are estimated at £535,000.</p>	<p>Commissioners will work with Devon Partnership Trust and other partners to identify and monitor repatriation of cases to ensure that the most appropriate and best value placements are secured in Devon, prioritising the most vulnerable cases first.</p> <p>Adult social care managers are engaged in the Transforming Care Partnership with CCGs and work together to forecast future service demands, and manage repatriations of cases in a sensitive and planned way.</p>
NHS Financial Contributors to Social Care (including Better Care Fund)	Total pooled budget currently planned to be in the region of £84 millions	<p>The Council entered a pooled budget arrangement in 2015/16 with NHS Commissioners described nationally as the Better Care Fund (BCF). This pooled arrangement includes circa £23.4 millions of support to DCC social care budgets.</p> <p>All commissioning partners to the Better Care Fund, as well as provider organisations, continue to work under financial strain, and the health community in Devon is facing significant financial challenges.</p> <p>The financial challenges faced by all partners inevitably pose a risk to the short term deployment of resources, ultimately making more difficult the very changes that are necessary to overcome those financial challenges.</p>	<p>A joint commissioning group comprising senior officers for each organisation and with detailed governance and specialist support is overseeing the operation of BCF and will ensure clear communication between DCC and its health partners.</p> <p>All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services across organisational barriers and system wide working</p> <p>Strong professional relationships between the health and social care sectors have been developed over the past years both with CCGs and provider trusts including hospitals. This creates better opportunities, both for resolving potential conflicts and for aligning strategic objectives of all parties to best meet the needs of the public.</p>

## Children's Social Work and Child Protection

Service	Budget 2018/19 £'000	Risk and Impact	Mitigation
Looked After Children Placements	35,712 (net)	<p>A key risk to operations is a continued lack of appropriate provision for children and young people with high levels of complex need (including mental ill-health) which could lead to further escalation of unit costs.</p> <p>The budget is at risk if market sufficiency does not improve, particularly in the independent residential sector, which then results in higher numbers of children in very high cost placements.</p> <p>Similarly, failure to increase in-house foster carer capacity would likely result in reduced ability to step children and young people down from high cost, high support settings into lower cost but still appropriate placements.</p> <p>The budget is also at risk from the impact of possible rises in levels of poverty, changes to the costs of care and support packages as a consequence of the challenges that some providers anticipate in recruitment as we progress towards Brexit; and population change in the County.</p>	<p>The budget has been set recognising the current pressures on sufficiency and costs; it assumes active management and cost control.</p> <p>Mitigation to prevent escalating costs is through strategies that centre on fewer children going into high cost placements, or spending less time in such provision through enhanced Edge of Care support and active recruitment of additional in-house foster carers.</p> <p>Early in 2018 a review of sufficiency of placements is planned; particularly short term/emergency residential provision which may lead to an options appraisal for an alternative model of provision and strengthened market management.</p> <p>However, these mitigations, if successful, will take time to work through the system and it is recognised that the effects of these strategies are not likely to be realised in full within the 2018/19 financial year.</p>
Disabled Children's Service	12,203 (net)	<p>The Disabled Children's Service (DCS) has seen a year-on year increase in children and families accessing the service and complexity of children's needs. More short break packages of care are being accessed and the cost of packages has been increasing.</p>	<p>Ensuring a consistent operating model for delivering services which is both financially sustainable and which achieves the best possible outcomes for children with disabilities and their families.</p>
Education and Learning – General Fund	41,333 (net)	<p>A third of Devon's schools are academies.</p> <p>Changes to the local authority's statutory responsibilities may reduce the influence of the Council and affect some of the central support functions it provides.</p>	<p>Ensure strong and effective collaborative working and information sharing to set out clearly the council's role and relationship with maintained schools, partnerships and academies.</p> <p>The Council will continue to ensure that statutory responsibilities within a diverse educational landscape are secured through a range of protocol and stakeholder agreements.</p> <p>Continue to encourage Academies to buy back Traded Services.</p>
School/College Transport	24,592 (net)	<p>The number of pupils with personalised transport needs has been increasing with costs continuing to rise.</p>	<p>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</p>

			transport provision and increase local provision for children with special educational needs.
Education and Learning – Schools budgets	542,328 (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 the national funding formula and changes to employee costs adding to pressure on school budgets. This could lead to schools prioritising spend which may in turn impact on traded services and de-delegation decisions	<p>Ensure a clear and well understood approach to robust commissioning negotiations with providers.</p> <p>Continue to engage with national reviews of schools funding arrangements.</p> <p>Continue to develop partnership working to maximise effect of collaborative approaches between statutory and purchased service delivery.</p>
High Needs budgets	63,323 (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.	<p>Continue active engagement with Devon Education Forum to ensure funding is appropriately distributed and targeted to achieve the best educational outcomes for all children across all ages and levels of need.</p> <p>Agree processes that effectively manage demand and ensure effective use of funding across all blocks of spending, Schools, Early Years and High Needs.</p> <p>Additional placements created within maintained special school provision and management action to reduce placements within Alternative Provision and Independent Sector through work with Devon Inclusion Partnership.</p>

## Communities, Public Health, Environment and Prosperity

Service	Budget 2018/19 £'000	Risk and Impact	Mitigation
Public & Community Transport	5,791 (budget and other funding)	Around 80% of passenger journeys are on commercial bus services with no DCC control over them. The remainder are on supported (contracted) bus services. The commercial sector therefore shapes the network, and DCC responds to fill in gaps, optimising the scope for an integrated network. DCC also supports the voluntary and community transport Sector where conventional buses are not sustainable. Any 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	9,102	Under statutory provision Commercial Bus Operators are reimbursed for the use of free travel passes by more than 131,000 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	951	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 – Mental Health	398	The contract for the Early Help for Mental Health programme may end in September 2018, at the end of its 3 year term, if further funding cannot be found.	Wider sources of funding are being sought, an exit strategy developed and any savings becoming apparent from other contract provision will be re-directed to continue to support some provision for as long as possible.
Public Health - Sexual Health	6,219	This service is in the process of re-procurement. There is a risk that the costs will increase as they have been held very low for the previous 5 years. Service providers may see this as an opportunity to re-base the contract to protect against rising costs over the next 5 -7 years.	The budget allows for an increase in costs.
Exeter Science Park (loan guarantee)	Max 2,652	The Science Park Innovation Centre Construction was built by Exeter Science Park Limited (ESPL). This was partially funded via a loan from the 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	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

		cover £1,831k. This figure is based on the current shortfall shown in the ESPL business plan which is being revised.	Board at regular intervals.
Budget Reductions (incl. Policy Changes)	1,837	Reductions are becoming harder to achieve. Some reductions are reliant on collaboration and co-operation from partners which cannot be fully guaranteed or controlled by DCC and others on supply and demand for services. In order to achieve budget reductions, 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 2018/19 with particular emphasis on high risk, or under developed, strategies. Continuous efforts to influence and negotiate with partners will be maintained.

## Partnership Risk Assessment

	Partnership	Purpose	Partner	Gross Value £'000	Risk Analysis / Mitigation
CoPHEP	Safety Camera Partnership	Safety Camera Partnership	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 partners. The Road Safety Partnership board decides which schemes to fund and Cornwall Council is the Accountable body. In the context of the Strategic Alliance between Devon and Cornwall Police (D&CP), an amended Business plan is being developed. The detailed terms of which are, as yet, unpublished. Should the partnership be significantly changed or disbanded, 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 2018/19 £000	Risk and Impact	Mitigation
Digital Transformation and Business Support	15,987	Ongoing demands for support for Children & Adults at risk, other services subject to organisational change place increasing pressure on this service.  In addition, the fire at Grenfell Tower may result in new fire safety compliance work across County Council owned buildings.	Work closely with service heads across the authority to ensure consistency of approach, alongside the monitoring of national developments to assess and respond to legislative changes.
Legal Services	1,057	Legal is a demand led service and as such subject to external influences, including Children & Adults at risk as well as supporting schools converting to academies. The service 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.	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	1,423	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, and some increase in workload.  Furthermore, the introduction of the Medical Examiner by April 2019 may mean that set-up costs, if not covered by a government grant, will put additional pressure on the budget.	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 in this respect.
Treasurer's Services and Human Resources	8,174	Increasing demands for financial and HR support & advice from services subject to organisational change, 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 project management	677	Savings required as part of the organisational development service will require commitment and co-operation across the County Council and its partners.	Work closely with service heads across the authority and its partners to ensure consistency of approach, smarter working practices and increased use of information systems

## Highway, Infrastructure Development and Waste

Service	Budget 2018/19 £'000	Risk and Impact	Mitigation
Winter Maintenance and Emergencies	Approx. 4,600	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. 4,800	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Over the last 4-5 years significant extra resources from both central government and DCC have been targeted towards this area.	New ways of providing this service were implemented in 2017/18. Works are closely monitored during the year and funds diverted from planned works where possible.
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 £350,000 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	27,740	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 £300,000.	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.



# 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
CIL	Community Infrastructure Levy
CIPFA	The Chartered Institute 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
IBCF	Improved Better Care Fund - Additional grant funding to supplement the Better Care Fund
ICT	Information & Communications Technology
IID	Investing in Devon funds
INNOVASUMP	Innovations in Sustainable Urban Mobility plans for low carbon urban transport
IT	Information Technology
IVC	In Vessel Composting
LAG	Local Action Group
LEP	Local Enterprise Partnership
LTP	Local Transport Plan
MH	Mental Health
MRP	Minimum Revenue Provision
MTCP	Medium Term Capital Programme
MTFS	Medium Term Financial Strategy

MUMIS	Major Unforeseen Maintenance Indemnity Scheme
NEWDCCG	Northern, Eastern and Western Devon Clinical Commissioning Group
NFF	National Funding Formula
NHS	National Health Service
NFPI	National Productivity Infrastructure Fund
PFI	Private Finance Initiative
PSPB	Priority School Building Project
PTE	Part-time Equivalent (15 hours)
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 Disability
UASC	Unaccompanied Asylum Seeking Children
VAWG	Violence against Women and Girls
VELP	Vehicle Equipment Loan Pool

