

Revenue Budget 2019/20
Medium Term Financial Strategy to 2022/23
and
Capital Strategy 2019/20 to 2023/24

Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for **2019/20**

Date	Committee	Subject	Ref No.
12th December 2018	Cabinet	Revenue/Capital Budget 2019/20	CT/18/102
9th January 2019	Cabinet	Revenue/Capital Budget 2019/20	CT/19/01
21st January 2019	Children's Scrutiny	Draft Capital Programme 2019/20 - 2023/24 and Draft Revenue Budget 2019/20	CT/19/02
24th January 2019	Health and Adult Care Scrutiny	Draft Revenue Budget 2019/20	CT/19/03
29th January 2019	Corporate, Infrastructure & Regulatory Services	Draft Capital Programme 2019/20 - 2023/24 and Draft Revenue Budget 2019/20	CT/19/04
15th February 2019	Cabinet	Impact Assessments	https://new.devon.gov.uk/impact/budget-2019-2020/
15th February 2019	Cabinet	Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions	CSO/19/7
15th February 2019	Cabinet	Overview/Scrutiny Committee recommendations	CSO/19/8
15th February 2019	Cabinet	Revenue Budget and Medium Term Financial Strategy 2018/19 - 2021/22 and Capital Programme 2018/19 - 2022/23	CT/19/05
21st February 2019	Council	Revenue Budget and Medium Term Financial Strategy 2019/20 - 2022/23 and Capital Programme 2019/20 - 2023/24	CT/19/06

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Revenue Budget Overview

2019/20 is the final year of the Government's four-year Local Government financial settlement and although our core funding has been reduced by £13.5 millions, to £101.5 millions this is in line with expectations. This reduction has been offset to some extent by additional grants for Winter Pressures of £3.6 millions and Social Care Support of £6.1 millions.

There is great uncertainty about the level of future funding from Government after 2019/20. In addition to the Government's new Comprehensive Spending Review expected later in 2019 (CSR 2019), the planned Business Rates funding reset and the uncertainty of 'Brexit', the Government is consulting on significant reforms to local government funding. These two consultations cover:

- Fairer Funding Review - the principles of how local need is calculated and how resources are allocated to local authorities to meet those needs
- Business Rates Retention Reform - move from 50% local retention of business rates to 75%, whilst remaining "fiscally neutral" - which means that this reform does not in itself result in additional resources for local government

There is currently no information available on the impact these changes will have on the level of funding Local Government can expect after 2019/20.

More detail is provided in the Medium Term Financial Strategy (pages 91 to 104).

The Local Government Finance Settlement 2019/20

On 29th January 2019 the Ministry of Housing, Communities and Local Government made a statement to Parliament on the Final Local Government Finance Settlement for 2019/20.

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 Finance Settlement for 2019/20 has confirmed the Core Funding figures at the expected level of £101.5 millions.

The Settlement confirmed the Chancellor's announcement of an additional £650 millions of Revenue funding for Adult and Children's Social Care.

- £410 millions is for a Social Care Support Grant that is being given in response to concerns nationally of pressures in Social Care, including Children's. The County Council's share is £6.1 millions.
- The remaining £240 millions is a Winter Pressures Grant and will need to be pooled into the Better Care Fund but is specifically for Councils to spend on Adult Social Care. The County Council's allocation is £3.6 millions.

The Government consulted earlier in the year on further changes to the New Homes Bonus Scheme and has decided not to make any change to the baseline, below which new allocations of the Bonus will not be paid, and this will remain at 0.4% for the 2019/20 allocations. New Homes Bonus grant figures have been announced and the sum for the County Council is £192,000 more than anticipated, at £3.66 millions, but this still represents a reduction of £149,000 on the previous year of £3.81 millions.

The settlement has set the Council Tax increase that will trigger the need for a referendum, excluding the Social Care Precept, at 3% for 2019/20; the same level as 2018/19.

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 in 2017/18 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 and 2% in 2018/19 leaving 1% available for 2019/20.

In 2019/20 government funding (core funding) for the County Council will reduce from £115 millions in 2018/19 to £101.5 millions in 2019/20, on a like for like basis and before any benefit from the Business Rates Pilot of 2018/19. This is a reduction of £13.5 millions, or 11.7%. 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.

Revenue Expenditure

Detailed budgets have now been produced within the Targets set by Cabinet in December 2018; these are shown on pages 39 to 90.

The service budgets total £493.850 millions. The table below sets out the changes to the budget in summary.

	2018/19 Adjusted Budget*	Inflation, Pressures & NLW	Savings	Removal of one off Budgets	Removal of 18/19 one off iBCF	Addition of 19/20 one off iBCF	2019/20 Budget	
	£000	£000	£000	£000	£000	£000	£000	£000
Adult Care & Health	228,051	13,517	(3,866)	0	(10,148)	5,045	232,599	2.0%
Childrens Services	123,569	13,229	(1,645)	0	0	0	135,153	9.4%
Community, Health, Environment & Prosperity	38,326	1,431	(762)	(418)	0	0	38,577	0.7%
Corporate Services	35,306	1,476	(3,808)	0	0	0	32,974	-6.6%
Highways, Infrastructure Development & Waste	54,164	3,700	(3,317)	0	0	0	54,547	0.7%
	479,416	33,353	(13,398)	(418)	(10,148)	5,045	493,850	3.0%

* Adjusted for permanent virements

Over the nine year period 2011/12 to 2019/20 the Council has had to make savings of just under £265 millions. This degree of change comes with inherent risk. The risks associated with the delivery of the 2019/20 budget and the mitigating action needed to try to contain that risk is detailed on pages 123 to 136.

Revenue Expenditure - Other items

Key Table 1 on page 8 shows the estimated level of spending on services and other items such as Capital Financing and Interest on Balances. These items are held centrally and not distributed to service budgets. Capital Financing Charges are dependent on the Council's Capital Programme explained on page 19 to 38. Factors that influence the income gained from our balances are set out on pages 109 to 122 that explains the Council's Treasury Management Strategy.

Revenue Income - Council Tax

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

District Councils have now reported their final tax base and surpluses/deficits on collection. The level of tax collection surplus attributable to the County Council is an estimated £4.7 millions. Surpluses serve to reduce the Council tax implications of any given spending level, but only on a one-off basis. They cannot be relied on for future years or to fund on-going expenditure.

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

Reserves and Balances

Members need to endorse the level at which general balances and earmarked reserves should be maintained. Page 105 to 108 explains the Council's strategy for its reserves and balances. It is recommended that general balances are maintained at or above £14

millions. A detailed risk assessment has been completed which demonstrates that residual risk after mitigation, falls below this level.

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

Medium Term Financial Strategy

The Authority's approach to the Medium Term Financial Strategy (MTFS) is detailed on pages 91 to 104. The level of uncertainty over future funding means that significant assumptions have had to be made; when future funding levels are known the MTFS will almost certainly need updating. Key table 4 is the financial representation of the current MTFS.

Revenue Income - Specific Grants

The Council not only receives Core Funding but also specific grants that relate to particular activities and these are detailed in Key Table 5 in page 12. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2019/20 the Dedicated Schools Grant has increased to £507.1 millions from £499.1 millions in 2018/19. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Conclusion

The 2019/20 Budget is a complex balance of the ongoing effects of reduced Government funding and significant increased pressures in Children's Social Care and Special Educational Needs and Disabilities - High Needs. This is in addition to ongoing pressures in Adult Social Care, the need to relieve pressure on local hospitals and changes in market conditions that have resulted in the need to in-source some services previously provided by private sector partners.

The service savings of £13.4 millions included within the 2019/20 Budget are the lowest level since austerity began nine years ago. This level of savings has only been possible due to Council Tax increases to support services and the Governments one off additional funding for winter pressures and Social Care support.

Of great concern is the lack of information on the Authority's funding going forward. The Government is consulting on major reforms to Local Government funding but there is no information on what this means for individual authorities.

Key Table 1 – Council Tax Requirement

2018/19 Adjusted Budget £000	Changes £000	2019/20 Budget £000
228,051 Adult Care & Health	4,548	232,599
123,569 Children's Services	11,584	135,153
38,326 Communities, Public Health, Environment & Prosperity	251	38,577
35,306 Corporate Services	(2,332)	32,974
54,164 Highways, Infrastructure Development & Waste	383	54,547
580 Central Contingency - Apprenticeship Levy	10	590
0 Central Contingency - NJC Pay Grade review	865	865
2,019 Pension contribution shortfall	242	2,261
650 Insurance Provision	50	700
482,665 TOTAL SERVICE BUDGETS	15,601	498,266
42,695 Capital Financing Charges	(4,318)	38,377
5,955 Exeter Schools PFI Financing Charges	314	6,269
5,250 Exeter Energy from Waste PFI Financing Charges	0	5,250
2,642 Plymouth Energy from Waste PFI Financing Charges	0	2,642
(1,000) Interest on Balances	(600)	(1,600)
234 Unaccompanied Asylum Seeking Children	(234)	0
2,235 Adult Social Care Support	(2,235)	0
350 Council Tax Support Partnership	0	350
0 Winter Pressures	3,576	3,576
1,500 Bellwin Scheme Related Emergencies	0	1,500
0 Brexit Preparations	87	87
11,600 Business Rates Pilot	(11,600)	0
6,500 Highways, Drainage and Patching	(6,500)	0
5,493 Spending from Reserves	(1,160)	4,333
560 Environment Agency - Flood Defence	46	606
345 Inshore Fisheries Conservation Authority (IFCA)	(4)	341
(5,493) Use of Reserves	1,160	(4,333)
(4,000) Transfer to/(from) Budget Management Reserve	7,000	3,000
0 Transfer to/(from) SEND High Needs Reserve	3,500	3,500
5,000 Contribution to Business Rates Risk Reserve	(5,000)	0
0 Contribution to Service Transformation Reserve	5,000	5,000
(234) Unaccompanied Asylum Seeking Children	234	0
(19,166) Business Rates - Government Grants	12,345	(6,821)
(2,705) Independent Living Fund (ILF)	82	(2,623)
(1,476) Education statutory retained duties - schools contribution	0	(1,476)
(581) Local Service Support Grant	0	(581)
(3,808) New Homes bonus	149	(3,659)
0 Rural Services Delivery Grant	(7,455)	(7,455)
(89) Lead Local Authority Flood Relief Grant	(6)	(95)
0 Brexit Preparations grant	(87)	(87)
(2,235) Adult Social Care Support Grant	2,235	0
0 Winter Pressures Grant	(3,576)	(3,576)
0 Social Care Support Grant	(6,108)	(6,108)
(20,396) Improved Better Care Fund	(4,299)	(24,695)
511,841 NET BUDGET (BUDGET REQUIREMENT)	(1,853)	509,988
0 Revenue Support Grant	(537)	(537)
16,222 BRRS Central Government Tariff / (Top Up)	(95,582)	(79,360)
(139,361) BRRS Local Element	117,956	(21,405)
(2,005) Collection Fund (Surplus)/Deficit - BRRS	(359)	(2,364)
(4,579) Collection Fund Surplus - Council Tax	(80)	(4,659)
(382,118) COUNCIL TAX REQUIREMENT	(19,545)	(401,663)

The 2019/20 Band D Council Tax is increased by 3.99% to £1,384.29

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	£'s
County Council Budget funded by District Councils' collection funds	406,322,501.81
Net Surplus on Council Tax collection in previous years	(4,659,047.20)
Total to be met from Council Tax precepts in 2019/20	401,663,454.61

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate %
East Devon	59,880.00	59,283.00	99.00
Exeter	38,132.00	36,988.00	97.00
Mid Devon	29,180.07	28,596.47	98.00
North Devon	34,818.91	33,948.44	97.50
South Hams	38,957.48	38,179.72	98.00
Teignbridge	49,716.20	49,219.00	99.00
Torridge	24,129.20	23,767.26	98.50
West Devon	20,799.94	20,176.57	97.00
Total	295,613.80	290,158.46	98.15

COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

Valuation Band	Government Multiplier		Adult Social Care Precept £'s	General Expenditure (Other) £'s	Council Tax Devon CC £'s
	Ratio	% of Band D			
A	6/9	66.7	65.40	857.46	922.86
B	7/9	77.8	76.30	1,000.37	1,076.67
C	8/9	88.9	87.20	1,143.28	1,230.48
D	1	100.0	98.10	1,286.19	1,384.29
E	11/9	122.2	119.90	1,572.01	1,691.91
F	13/9	144.4	141.70	1,857.83	1,999.53
G	15/9	166.7	163.50	2,143.65	2,307.15
H	18/9	200.0	196.20	2,572.38	2,768.58

The County Council Tax for Band D represents an increase of 3.99% on the 2018/19 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2019/20

District Council	Surplus (deficit) for 2018/19 £'s	Precepts Due 2019/20 £'s	Total due in 2019/20 £'s
East Devon	811,130.00	82,064,864.07	82,875,994.07
Exeter	854,615.00	51,202,118.52	52,056,733.52
Mid Devon	376,372.00	39,585,807.46	39,962,179.46
North Devon	574,220.20	46,994,486.01	47,568,706.21
South Hams	685,000.00	52,851,804.60	53,536,804.60
Teignbridge	725,457.00	68,133,369.51	68,858,826.51
Torridge	247,253.00	32,900,780.35	33,148,033.35
West Devon	385,000.00	27,930,224.09	28,315,224.09
	4,659,047.20	401,663,454.61	406,322,501.81

Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	£'000
Estimated balance as at 31st March 2019	14,694
Add contribution in 2019/20	0
Estimated balance as at 31st March 2020	14,694

Note: The estimate of both working balances and earmarked funds as at March 2019 reflect the best known information to date: the final totals will change as a result of decisions taken at outturn.

EARMARKED REVENUE RESERVES

	Estimated Balance at 31 March 2019 £'000	Estimated Spending £'000	Estimated Income £'000	Estimated Balance at 31 March 2020 £'000
Affordable Housing	112	60		52
On Street Parking	2,999	1,416		1,583
Public Health	385			385
Budget Management	30,441		3,000	33,441
Business Rate Risk Management	11,170			11,170
Emergency	16,500			16,500
Minimum Revenue Provision Risk Reserve	10,916			10,916
SEND High Needs Reserve	0		3,500	3,500
Service Transformation	10,301	2,857	5,000	12,444
Total Earmarked Revenue Reserves	82,824	4,333	11,500	89,991

Key Table 4 – Medium Term Financial Strategy

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Adult Care & Health	232,599	239,693	252,353	267,875
Children's Services	135,153	140,194	145,449	151,406
Communities, Public Health, Environment & Prosperity	38,577	39,607	40,529	41,706
Corporate Services	32,974	34,277	35,354	36,466
Highways, Infrastructure Development & Waste	54,547	57,852	61,143	63,647
Savings to Services	0	0	(26,391)	(48,625)
County Council Election	0	0	1,500	0
Central Contingency - Apprenticeship Levy	590	600	610	620
Central Contingency - NJC Pay Grade review	865	865	865	865
Pension contribution shortfall	2,261	2,504	2,747	2,990
Insurance Provision	700	750	800	850
Total Service Budget	498,266	516,342	514,959	517,800
Other Budgets:				
Capital Financing Charges	38,377	38,231	37,939	37,972
Exeter Schools PFI Financing Charges	6,269	6,269	6,269	6,269
Exeter Energy from Waste PFI Financing Charges	5,250	5,250	5,250	5,250
Plymouth Energy from Waste PFI Financing Charges	2,642	2,642	2,642	2,642
Interest on Balances	(1,600)	(1,600)	(1,600)	(1,600)
Council Tax Support Partnership	350	350	350	350
Winter Pressures	3,576	0	0	0
Bellwin Scheme Related Emergencies	1,500	1,500	1,500	1,500
Brexit Preparations	87	0	0	0
Spending from Reserves	4,333	4,246	3,050	3,000
Payments to Outside Bodies				
Environment Agency - Flood Defence	606	668	736	804
Inshore Fisheries Conservation Authority (IFCA)	341	351	362	373
Reserves and Balances				
Use of Reserves	(4,333)	(4,246)	(3,050)	(3,000)
Transfer to/(from) SEND High Needs Reserve	3,500	0	0	0
Contribution to/(from) Budget Management Reserve	3,000	0	0	0
Contribution to Service Transformation Reserve	5,000	5,000	5,000	5,000
Other Grant Income				
Business Rates - Government Grants	(6,821)	0	0	0
Independent Living Fund (ILF)	(2,623)	(2,544)	(2,465)	(2,386)
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	(3,659)	(3,332)	(3,250)	(2,942)
Rural Services Delivery Grant	(7,455)	(7,455)	(7,455)	(7,455)
Lead Local Authority Flood Relief Grant	(95)	(95)	(95)	(95)
Brexit Preparations grant	(87)	0	0	0
Winter Pressures Grant	(3,576)	0	0	0
Social Care Support Grant	(6,108)	0	0	0
Improved Better Care Fund	(24,695)	(19,650)	(19,650)	(19,650)
NET BUDGET (BUDGET REQUIREMENT)	509,988	539,870	538,435	541,775
Financed By:				
Revenue Support Grant	(537)	0	0	0
BRRS Central Government Tariff/(Top Up)	(79,360)	(69,537)	(59,362)	(48,755)
BRRS Local Element	(21,405)	(22,188)	(22,631)	(23,084)
Business Rates reset - national redistribution of growth	0	(6,000)	(6,000)	(6,000)
Collection Fund (Surplus)/Deficit - BRRS	(2,364)	1,000	1,000	1,000
Collection Fund Surplus - Council Tax	(4,659)	(3,000)	(3,000)	(3,000)
COUNCIL TAX REQUIREMENT	(401,663)	(413,754)	(426,208)	(439,035)
Budget savings required/(Surplus)	0	26,391	22,234	22,901
Savings included in service budgets above	(13,398)	(2,155)	(1,464)	(100)
Further savings required	0	(26,391)	(22,234)	(22,901)
Total Savings to be delivered	(13,398)	(28,546)	(23,698)	(23,001)

Key Table 5 – Government Specific Grants

Government Grants and Contributions

Service and Grant Title	Funded by	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Adult Care Operations and Health					
Local Reform Community Voices Grant	Department of Health	140	140	140	140
Social Care in Prisons Grant	Department of Health	320	320	320	320
War Pensions Scheme Grant	Department of Health	445	445	445	445
Contributions	Health and other local authorities	18,109	18,109	18,109	18,109
		19,014	19,014	19,014	19,014
Adult Commissioning and Health					
Local Reform Community Voices Grant	Department of Health	364	364	364	364
Contributions	Health and other local authorities	1,374	1,374	1,374	1,374
		1,738	1,738	1,738	1,738
Children's Social Care					
Assessed and Supported Year in Employment	Department for Education	36	36	36	36
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	0	0	0
Youth Justice Grant	Youth Justice Board	67	67	67	67
Unaccompanied Asylum Seekers Grant	Home Office	2,119	2,119	2,119	2,119
Troubled Families Programme	MHCLG	2,235	0	0	0
Contributions	Health and other local authorities	3,238	3,238	3,238	3,238
		7,961	5,636	5,636	5,636
Education and Learning					
Dedicated Schools Grant*	Education Funding Agency	502,213	502,213	502,213	502,213
Early Years - Disadvantaged 2 Year Olds	Education Funding Agency	4,915	4,915	4,915	4,915
Post 16 Funding	Education Funding Agency	1,786	1,786	1,786	1,786
Pupil Premium	Education Funding Agency	24,222	24,222	24,222	24,222
Universal Infant Free School Meals	Education Funding Agency	8,404	8,404	8,404	8,404
PE & Sport Grant	Department for Education	5,602	5,602	5,602	5,602
Teachers Pay Grant	Education Funding Agency	3,807	0	0	0
Music Grant	Arts Council	928	928	928	928
Contributions	Health and other local authorities	842	842	842	842
		552,719	548,912	548,912	548,912
Economy and Enterprise					
LAG - MIL (Making it Local 2)	RPA	57	0	0	0
LAG - REAL Devon	RPA	50	0	0	0
Growth Support Programme	ERDF	49	0	0	0
Innovation in Healthy Ageing	ERDF	46	9	0	0
Enhance Social Enterprise	ERDF	48	0	0	0
Local Digital Skills Partnership Catalyst	Department for Digital, Culture, Media and Sport	50	0	0	0
North Devon Enterprise Centre	ERDF	81	157	40	0
Digital Utilisation Growth	ERDF	491	503	418	0
Career Learning Programme Co-ordination	Other	11	0	0	0
Enterprise Advisor Network	Other	257	107	0	0
Enterprise Advisor Network	Other Local Authorities	153	89	0	0
Learn Devon - Community Learning	Skills Funding Agency	2,159	2,155	2,155	2,155
Learn Devon - Adult Skills Budget (inc Apprenticeships/Additional Learning Support)	Skills Funding Agency	997	997	997	997
Learn Devon - 14-19 EFA Funding	Education Funding Agency	106	100	100	100
Trading Standards	Government Grants	78	78	78	78
		4,633	4,195	3,788	3,330

*The Dedicated Schools Grant is estimated On October 2018 pupil numbers. The final grant allocation is expected to be notified by the end of March 2019

Service and Grant Title	Funded by	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Planning, Transportation and Environment					
Areas of Outstanding Natural Beauty	DEFRA	311	311	311	311
Areas of Outstanding Natural Beauty	Other Local Authorities	73	73	73	73
Environment and Sustainable Travel	Other Local Authorities	33	40	0	40
Environment and Sustainable Travel	Other	63	50	16	0
Maritime and Fisheries projects	Other Local Authorities	11	11	11	11
Maritime and Fisheries projects	Other	17	17	17	17
Taw Valley Countryside Stewardship Facilitation Fund	European Agricultural Fund	47	47	14	0
Wood 4 Water	Environment Agency	67	67	0	0
North Devon Coastal Heritage	Heritage Lottery Fund	25	6	0	0
North Devon Coastal Heritage	Other Local Authorities	3	0	0	0
North Devon Coastal Heritage	Other	8	1	0	0
South West Coast Path & Country Parks	Natural England	92	87	83	79
Local Sustainable Transport Fund	Department of Transport	500	0	0	0
Bikeability	Department of Transport	280	0	0	0
Sustainable Mobility Plans (INNOVASUMP)	ERDF	39	20	4	0
Bio-Cultural Heritage Tourism	Interreg	188	160	86	0
TIDES	Interreg	65	75	64	0
Bus Service Operators Grant	Department of Transport	1,146	1,146	1,146	1,146
Transport contributions	Other Local Authorities	230	230	142	55
Transport contributions	Other	994	994	994	994
		4,192	3,335	2,961	2,726
Communities and Other Services					
Active Devon	Sport England	759	754	604	604
Active Devon	Other	66	33	4	4
Active Devon	Other Local Authorities	5	0	0	0
Syrian Refugees	Home Office	666	415	236	97
Out of the Shadow (VAWG)	Home Office	184	0	0	0
Services For Victims of Domestic Violence	Other Local Authorities	31	31	31	31
Crowdfunding Site	Police & Crime Commissioner	11	10	1	0
Cranbrook Library	Other	15	15	15	15
Atlantic Youth Creative Hubs	ERDF	61	65	40	0
Atlantic Youth Creative Hubs	Other	19	21	13	0
Youth Services	Other	13	13	13	13
Emergency Planning	Other Local Authorities	43	43	43	0
		1,873	1,400	1,000	764
Public Health					
Public Health	Department of Health	26,786	26,786	26,786	26,786
Nicotine Replacement Therapy Contribution	NEW Devon CCG	650	650	650	650
Diabetes Lifestyle Intervention Programme	Big Lottery	113	206	243	95
Public Mental Health	Better Care Fund	91	0	0	0
		27,640	27,642	27,679	27,531
Digital Transformation and Business Support					
Private Finance Initiative	MHCLG	6,937	6,937	6,937	6,937
Private Finance Initiative	Exeter Diocesan Board	1,912	1,928	1,945	1,962
		8,849	8,865	8,882	8,899
Capital Development and Waste Management					
Ecowaste4food	ERDF	32	9	0	0
Highways and Traffic Management					
ExeRail	Other Local Authorities	30	30	30	30
South West Coast Path & Country Parks	Other Local Authorities	45	45	45	45
South West Coast Path & Country Parks	RPA	22	22	22	22
South West Coast Path & Country Parks	Historic England	10	0	0	0
South West Coast Path & Country Parks	Natural England	112	112	112	112
		219	209	209	209
Total		628,870	620,955	619,819	618,759

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

2018/19 £000	Service and Grant Title	2019/20 £000
	Adult Care Operations & Health	
	6 Ottery Help Scheme	6
	7 Assist Teignbridge	7
	15 Tavistock Area Support Services	15
	12 Blackdown Support Group	12
	23 Age Concern Barnstaple	23
	31 The Olive Tree Association	31
94		94
	Adult Commissioning and Health	
	27 Recovery Devon	27
	38 Bridge Collective open access MH support	38
	15 Connections open access MH support	15
	25 Exeter CVS First step project open access MH support	25
105		105
	Children's Social Care	
	190 University Bursary Grants	190
	Facilitating Access to Mainstream Activities for	
	127 Disabled Children's Services	120
317		310
	Planning, Transportation and Environment	
	48 AONB (East, South and Tamar)	48
	Dorset & East Devon World Heritage site (Jurassic	
	53 Coast)	43
	Cornwall & West Devon Mining Landscape World	
	25 Heritage site	25
	21 South West Energy & Environment group	22
	4 Wembury Centre	4
	2 Tamar Estuaries consultative forum	2
	Devon Wildlife Trust Nature Improvement Area	
	20 Project	20
	101 Safety Camera Partnership	81
	40 Devon & Cornwall Rail Partnership	40
	247 Community bodies - Transport R&R	235
561		520
	Communities and Other Services	
	400 Citizens Advice Bureau	400
	72 Community Council of Devon	62
	189 Councils for Voluntary Services	0
661		462
	Public Health	
	25 Devon Rape Crisis	25
	10 Teignbridge D.C	6
35		31
	Highways and Traffic Management	
	8 Meldon Viaduct	8
8		8
1,781 TOTAL		1,530

Key Table 7- Staffing Data

	2018/19	Changes FTEs	2019/20		Total FTEs
	Adjusted Total FTEs		Revenue Funded FTEs	Externally Funded FTEs	
Adult Care Operations and Health	968	61	905	124	1,029
Adult Commissioning and Health	164	0	155	9	164
Adult Care and Health	1,132	61	1,060	133	1,193
Children's Social Care	772	277	996	53	1,049
Education and Learning - General Fund	119	(5)	114	0	114
Education and Learning - School Funding	33	10	0	43	43
Children's Services	924	282	1,110	96	1,206
Communities and Other Services	42	(2)	19	21	40
Economy, Enterprise and Skills	162	12	57	117	174
Planning, Transportation and Environment	177	(1)	157	19	176
Public Health	33	3	0	36	36
Community, Health, Environment, Prosperity	414	12	233	193	426
Chief Executive, HR, Legal and Communications	266	20	286	0	286
Digital Transformation and Business Support	450	43	493	0	493
Organisational Development	20	0	20	0	20
Treasurer's Services	279	6	174	111	285
Corporate Services	1,015	69	973	111	1,084
Highways and Traffic Management	255	7	261	1	262
Infrastructure Development and Waste	103	0	103	0	103
Highways, Infrastructure and Waste	358	7	364	1	365
Total	3,843	431	3,740	534	4,274

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

Explanation of Movements

Adult Care Operations and Health

Disability and Care Fee review teams	23
Preparing for Adulthood team and other care management	4
Assistant Director for West Devon (team joint funded)	1
Posts externally funded from IBCF	22
Posts externally funded from RD&E/NHS	11
	61

Adult Commissioning and Health

Mental Health efficiency	(1)
Reinvestment in provider support	2
Transformation temporary posts ending	(1)
	0

Children's Social Work and Child Protection

Insourcing of Rehabilitation Officers for Visually Impaired Children services	8
Insourcing of Public Health Nursing	175
Insourcing of residential short breaks for disabled children	47
Establishment of services to Adopt South West Regional Adoption Agency	31
Increased capacity Service Improvement Plan and legislative changes	13
Net movement as a result of workforce review and reorganisation	3
	277

Education and Learning

General Fund

Review of Support for Inclusion and Infrastructure	2
SEND support previously externally funded posts	3
Review of Early Years services	(3)
Realignment of Early Years posts and budget	(4)
Recommissioning escorts under external contracts for pupils with additional needs	(3)

Dedicated Schools Grant

Realignment of Early Years posts and budget	4
Externalisation of Tressilian Nursery	(11)
Insourcing of Portage Service	17
	<hr/>
	5

Communities and Other Services

Externally funded - Active Devon restructure	(3)
Emergency planning officer	1
	<hr/>
	(2)

Economy, Enterprise and Skills

Externally funded - Careers Hub posts transferred in to the Council	10
Externally funded - New post for Broadband project	1
Creative and Innovation grants programme	1
	<hr/>
	12

Planning Transportation and Environment

Apprentice	1
Externally funded work - restructuring and transfer of work	(2)
	<hr/>
	(1)

Public Health

Externally Funded project - Make Every Contact Count	1
Public Health grant funded staff	2
	<hr/>
	3

Chief Executive, HR, Legal and Communications

Legal Services - Children's Safeguarding Team	5
Legal Services - Adult's Team	1
Legal Services - Litigation	1
Reduction in Digital Communications	(1)
HR Web and Digital Communications Officer	1
Expansion of Apprentice Programme	14
Reduction in Head of Service	(1)
	<hr/>
	20

Digital Transformation and Business Support

Establishment of Adopt South West Regional Adoption Agency	11
Increased capacity for Procurement services	4
Transfer of Business Support from Adult's Services	1
Transfer of Business Support from Children's Services	6
IT Digital Transformation Team	5
IT Adoption and Change Team	3
IT Roadmap, Disaster Recovery and Scomis resourcing	12
Apprentice	1
	<hr/>
	43

Treasurer's Services

Establishment of Adopt South West Regional Adoption Agency	2
Specialist in off-payroll working tax compliance	1
Transfer of Counter Fraud Team to Devon Audit Partnership	7
Reduction in Pensions Team	(4)
	<hr/>
	6

Apprentices	4
Highways Coordination Officer - externally funded	1
Highways Enforcement Officer	1
Highways Programme Development Engineer	1
	<hr/>
	7
Infrastructure Development and Waste Management	
	<hr/>
	0
Total	<hr/>
	431
	<hr/>

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

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

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

The preparation of the budget for 2019/20 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 123 to 136.

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 2019/20 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 106.

In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2020 is estimated at £90 millions. The total for revenue reserves and balances for 2019/20 is forecast as £104.7 millions. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2018/19 provides an indication of the pressures facing the authority in 2019/20. In 2018/19 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 2019/20 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 2019/20. The total level of reserves and balances of £104.7 millions has been based on a comprehensive risk assessment and is judged adequate to meet all reasonable forecasts of future liabilities.

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

Mary Davis

Capital Strategy and Programme Overview 2019/20 - 2023/24

Capital Strategy 2019/20 – 2023/24

The Capital Strategy sets out the policy framework for the development, management and monitoring of capital investment. The strategy focuses on key principles that underpin the Authority's capital programme and its short to medium term objectives, as well as supporting the Authority's strategic and operational objectives.

The Capital Strategy aims to strike a balance between investing in operational assets for service delivery and the management of programme risk, as well as ensuring prudence, sustainability and overall affordability.

Key Capital Strategy Principles

The key principles for the Capital Strategy are summarised below and are explained in more detail throughout the strategy document:

- The shape and size of the capital programme is determined by Authority led objectives, service and operational requirements and the availability of internal and external resources;
- The Capital Programme will be prepared alongside the Medium Term Financial Strategy (MTFS) to ensure that services have sufficient resources to carry out their priorities and that the impact on revenue resources is sustainable;
- Capital investment decisions will be made according to service need, legal and statutory obligations and in consideration of the Authority's financial position and will align with other supporting strategies such as the Investment, Borrowing and Treasury Management Strategies;
- The Authority will seek to finance the capital programme with external funding, such as grants and contributions, wherever possible and prioritise invest to save capital projects, for example projects which generate a cash saving to the Authority or generate a return;
- The Authority will utilise capital receipts and internal borrowing (borrowing from internal cash resources) as a secondary funding source to contain its level of external debt; and
- The Authority has a policy of not undertaking any external borrowing. This policy is regularly reviewed to ensure it is still fit for purpose and can continue to meet the capital financing requirements of the Authority's services.

Capital Programme - Governance

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

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

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

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

Throughout the course of the financial year, the Members Asset Group (MAG) meet to review the forecast capital receipts and disposal strategy for the Authority, and to ensure alignment with the Authority's Asset Management Strategy. The meeting is represented by the Leader of the Authority and the Chief Executive.

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

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

Medium Term Capital Programme (MTCP) 2019/20 – 2023/24 Summary

The Authority will be investing over £481 millions in Devon over the next 5 years. The MTCP analysed by funding source is shown in Table A. The funding available in future years may change as Government policies and grant allocations are published.

Table A

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Adult Care and Health	10,020	8,718	8,648	8,648	1,918
Children's Services	2,191	1,765	1,765	1,765	1,765
Communities, Public Health, Environment and Prosperity	43,816	38,468	40,646	38,751	16,866
Corporate Services	3,312	2,950	2,850	2,850	2,850
Highways, Infrastructure Development and Waste	51,561	51,324	47,734	45,132	45,132
Total	110,900	103,225	101,643	97,146	68,531
	2019/20	2020/21	2021/22	2022/23	2023/24
Funding Source	£'000	£'000	£'000	£'000	£'000
Borrowing - Internal	4,884	10,201	4,926	1,979	300
Borrowing - VELP	1,228	1,200	1,200	1,200	1,200
Capital Receipts - General	6,128	4,317	3,208	4,020	8,372
Capital Receipts - IID	201	169	104	0	0
Direct Revenue Funds - Services	281	273	273	273	250
External Funding - Contributions	2,973	321	55	50	50
External Funding - Grants	87,424	83,666	90,253	88,110	57,876
External Funding - S106	7,781	3,078	1,624	1,514	483
Total	110,900	103,225	101,643	97,146	68,531

For 2019/20 and 2020/21 the level of capital grant funding is based upon award letters from the governing bodies. However, in subsequent years prudent estimates have been made with respect to the continuation of the capital grants available, for example Devolved Formula Capital, Basic Need and Local Transport Plan (LTP) grant funding.

The Authority has committed to investing in its operational assets by including annual capital funding for the enhancement of its existing property estate, including County Farms, and the continued upgrade and development of ICT. The Authority recognises that by investing in its assets it is ensuring their sustainability for the future, providing future economic benefit whilst also seeking to minimise revenue and repair and maintenance costs.

The Chancellor of the Exchequer presented the Governments Budget to the House of Commons on the 29th October 2018. The Budget contained additional funding for Local Government in 2018/19 which will have a positive effect on the MTCP in respect of capital investment as well as the availability of cash resources.

The additional capital funding for 2018/19 is shown in Table B.

Table B

Funding type	National figure £000	Devon's share £000
Local Highways Maintenance Funding - repair of roads (including potholes), bridges and local highways infrastructure generally	420,000	18,754
National Productivity Investment Fund (NPIF) – minor junction and road layout improvements	150,000	TBC*
Disabled Facilities Grants – to be pooled in the Better Care Fund and allocated to Devon Districts	55,000	791
School Equipment and Capital Maintenance (DCC maintained schools share is £1.937 millions)	400,000	5,048

*the NPIF funding is expected to be allocated via a competitive bid process

Financing and Affordability

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

Internal Borrowing

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

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

This strategy suggests a prudent level of around £2 millions of internal borrowing per annum, where cashflow allows.

External Borrowing

The Authority has a policy of not undertaking any new external borrowing, as set out in the Treasury Management Strategy 2019/20, with the Authority not undertaking any new external borrowing since January 2008. This policy is reviewed regularly to ensure it is still fit for purpose and can continue to meet the capital financing requirements of the Authority's services.

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

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

The MTF5 continues to assume that, over the three-year period, no new long-term external borrowing will be required. This has been assessed as sustainable in the short to medium term but will be kept under review.

Capital receipts

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

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

Capital receipts are monitored monthly and reviewed by the CPG and by the MAG quarterly. Monitoring is undertaken to ensure that forecast receipts are sufficient to finance the existing capital programme commitments, and to ensure that the existing capital programme does not rely too heavily on this finite source of funding.

This strategy recommends the moderate use of capital receipts beyond 2023/24 in the region of £2 millions per annum.

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

Table C

	Estimated opening balance	Forecast receipts	Forecast spend	Estimated closing balance
	£'000	£'000	£'000	£'000
2019/20	1,686	10,312	(6,329)	5,669
2020/21	5,669	10,205	(4,486)	11,388
2021/22	11,388	5,880	(3,312)	13,956
2022/23	13,956	5,880	(4,020)	15,816
2023/24	15,816	5,880	(8,372)	13,324

External Funding

A large proportion of capital projects are funded from external funding, such as grants and contributions. Therefore, the size of the capital programme will often depend 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.

Forward Funding

Where a project is financed by external contributions the Authority may forward fund the project, utilising internal borrowing, in anticipation of a future receipt. As forward funding is expected to be repaid to the Authority, an MRP charge is not required.

The affordability of this forward funding mechanism will be monitored by the Assistant County Treasurer, Treasury Management and the County Treasurer and any risks to cashflow reported to Cabinet in the bi-monthly monitoring report.

Leasing

All vehicle, plant, furniture and equipment leasing must be negotiated in conjunction with the County Treasurer. Provision for the acquisition of leased items must be included in the capital programme.

All property leases and other property acquisitions must be notified to the County Treasurer, who will seek the approval of the Cabinet, before entering in to a commitment, so that the effect of Central Government controls on the Capital Programme can be assessed.

Under current legislation, schools may borrow money (which could include lease type arrangements) only with the written permission of the Secretary of State.

Longer Term view

Recent successful bids for funding, for example the award of £83.115 millions for the North Devon Link Road (NDLR) and a further potential bid for £45 millions for the Housing Infrastructure Fund (HIF) will require careful planning of Authority resources in the coming years, to ensure match funding commitments are met and corporate resources are made available to support these key strategic projects.

With these key schemes in mind, a forecasting and scenario-based exercise has been undertaken to ensure the resilience of the Capital Programme in the longer term. This has confirmed that no external borrowing is required to support these existing commitments. However, should the Authority be unable to finance the capital programme within available capital receipts, grants contributions and internal borrowing; external borrowing may be required.

In the future, schemes that return a revenue benefit or revenue cost reduction will be prioritised to ensure a net nil impact on the MTFs, for example in respect of borrowing costs.

As a result of considering this longer-term view, the MRP policy has been revisited as set out in the Treasury Management and Investment Strategy 2019/20. The MRP strategy assumes a continued commitment to internal borrowing, commensurate with historic levels, to ensure longer-term investment in the Authority's assets.

Commercial activity and Partnerships

The Authority has a policy of not investing in commercial activity solely for financial gain. All capital investments outside of treasury management activities are held explicitly for the purposes of operational services, including regeneration, and are monitored through existing control frameworks.

The Authority has invested capital (purchased shares) in a limited number of companies and joint ventures, for example the Exeter Science Park, and the Skypark Development Partnership. Such investments are limited and undertaken only where the objectives are for the increased prosperity of the County of Devon.

The Authority is party to two historic Private Finance Initiatives (PFI) and one Public Private Partnership (PPP). It is not expecting to enter into any new arrangements of this type in the medium term.

Knowledge, skills and professional advisors

The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that scheme.

The Authority believes it has appropriately skilled staff to deliver the Capital Programme and individual Capital projects. Where specialist knowledge is required the Authority will make use of external advisors.

Summary

The Capital Strategy ensures that the Authority takes capital expenditure decisions in line with strategic and service objectives and properly considers the operational and service needs of the Authority. This has been balanced with the need to produce a prudent, sustainable and affordable level of investment in the Authority's assets, which the 2019/20 to 2023/24 Capital Programme aims to deliver.

Capital Programme Overview 2019/20 - 2023/24

The Authority's five year capital programme is the realisation of the Capital Strategy. It aims to maximise the Authority's infrastructure and assets necessary to support service delivery whilst minimising the impact upon the revenue budget.

Shaping the Capital Programme

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

Using capital receipts as a funding source will ensure the Authority is able to contain its level of debt and therefore its overall level of borrowing. The policy of not undertaking any new borrowing is set out within the Authority's Capital and Treasury Management strategies with the Authority not having undertaken any new external borrowing since January 2008.

Demand for Capital Investment

The Capital Programme, in line with the Capital Strategy, aims to strike a balance between an affordable Capital programme and one that meets the needs and aspirations of the Authority's services. For 2019/20, in order to accommodate Service requirements, the capital programme has increased by just under £17 millions. This increase is detailed in Table D. Nearly £14.5 millions of this sum relates to new schemes that were accepted on the basis of their fit with strategic priorities. The Street Lighting scheme has the added advantage of producing revenue savings in future years.

Despite these new additions the Capital Programme remains affordable as they are funded by internal borrowing, the use of capital receipts and the re-allocation of funds from projects where there was previous over-provision.

Table D

Project	Total £'000	2019/20	2020/21	2021/22	2022/23	2023/24
		£'000	£'000	£'000	£'000	£'000
<i>New schemes recommended for inclusion</i>						
Street Lighting LED	8,673	1,735	4,336	2,602		
A361/A39 North Devon Link Road	3,577					3,577
Strategic Centre Improvement - Lucombe House *	1,800	600	1,200			
SEND - Accessible Adaptations	250	100	150			
Building Maintenance	300	300				
Flood Prevention Works	500	100	100	100	100	100
DAW Room ICT upgrade	151	151				
<i>Continuation of approved schemes into 2023/24</i>						
DCC Operating Model ICT Replacement and Renewal	1,500					1,500
Vehicle & Equipment Loans Programme	1,228	28				1,200
County Farms Estate Enhancement Programme	600					600
Replace and Upgrade Corporate Estate	600					600
Flood Prevention Works	250					250
Property Enabling Budget	150					150
Grants to adapt foster carers houses	40					40
Youth service minor capital works	37					37
Total Demand for Capital Investment	19,656	3,014	5,786	2,702	100	8,054
<i>Reductions</i>						
Grants to Independent Sector	(1,500)	(1,000)	(500)			
Replace and Upgrade Corporate Estate	(1,200)	(600)	(600)			
Total Increase to Capital Programme	16,956	1,414	4,686	2,702	100	8,054

* Total scheme £2.4m with £600,000 18-19

Financed by:	Total £'000	2019/20	2020/21	2021/22	2022/23	2023/24
		£'000	£'000	£'000	£'000	£'000
Borrowing - Internal	10,951	2,263	4,586	2,702	100	1,300
Capital Receipts - General	6,005	(849)	100			6,754
Total	16,956	1,414	4,686	2,702	100	8,054

Availability of Resources

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

The Local Transport Plan (LTP) maintenance figures for the period 2019/20 and 2020/21, reflect the indicative needs based formula funding and incentive funding allocations, as announced by the Department for Transport. 2019/20, also includes the indicative Pothole Action Fund allocation. As allocations for the period 2021/22 to 2023/24 have not yet been announced, the same level as 2020/21 has been assumed in the capital programme, at this stage.

The autumn budget 2018/19 announced an additional £18 millions of Local Highways Maintenance Funding for the repair of roads (including potholes), bridges and local highways infrastructure generally. This is allocated by formula and is shared by local authorities based on the road length for which each Authority is responsible.

The government also announced further funding in 2018/19 from the National Productivity Investment Fund (NPIF) for minor junction and road layout improvements. Authorities will be invited to bid from this £150 millions fund. Any successful bid will be added to the capital programme once known.

There is also the addition of new funding in 2018/19 for School Equipment and Capital Maintenance, which will be paid directly to schools. The Authority's share of this £400 millions fund is £1.9 millions with an additional estimate of £3.1 millions payable directly to Academies and other independent schools.

Risk Assessment

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

Risk 1: Scheme costs are higher than estimated

Mitigation: Actual costs are monitored monthly 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. External funding balances are monitored monthly 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 Authority aims to develop a medium term capital programme that can realistically be delivered to the time scales agreed. However, there is the risk that delays will occur, such as difficulties in employing specialist contractors, seasonal variations and delays in planning consent. In such circumstances the Authority 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, for example Internal Borrowing, may have to be sought or schemes deferred if receipts are generated later than forecast or for a reduced sum.

Risk 5 – Capital project aborted

Mitigation: every effort will be made to ensure that a project is not aborted; for example, project re-engineering or pausing whilst alternative funding sources are identified, which is allowable under the local authority code of practice. All alternatives will be investigated to ensure service needs are met by meeting our capital objectives, whilst minimising any risk that abortive capital costs impact the revenue budget. If it is not possible to avoid aborting a project, the normal revenue mitigations of in year savings and use of earmarked reserves and balances will be used.

The Medium Term Capital Programme

The County will be investing over £481 millions in Devon over the next 5 years. The latest forecast of the programme analysed by funding sources is shown in Table E. The funding available in forecast years will change as Government policies and grant allocations are published.

Table E - Medium Term Capital Programme Summary £481.445 millions

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Adult Care and Health	10,020	8,718	8,648	8,648	1,918
Children's Services	2,191	1,765	1,765	1,765	1,765
Communities, Public Health, Environment and Prosperity	43,816	38,468	40,646	38,751	16,866
Corporate Services	3,312	2,950	2,850	2,850	2,850
Highways, Infrastructure Development and Waste	51,561	51,324	47,734	45,132	45,132
Total	110,900	103,225	101,643	97,146	68,531
	2019/20	2020/21	2021/22	2022/23	2023/24
Funding Source	£'000	£'000	£'000	£'000	£'000
Borrowing - Internal	4,884	10,201	4,926	1,979	300
Borrowing - VELP	1,228	1,200	1,200	1,200	1,200
Capital Receipts - General	6,128	4,317	3,208	4,020	8,372
Capital Receipts - IID	201	169	104	0	0
Direct Revenue Funds - Services	281	273	273	273	250
External Funding - Contributions	2,973	321	55	50	50
External Funding - Grants	87,424	83,666	90,253	88,110	57,876
External Funding - S106	7,781	3,078	1,624	1,514	483
Total	110,900	103,225	101,643	97,146	68,531

Detailed Medium Term Capital Programme 2019/20 - 2023/24

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

These tables do not show expenditure on capital projects currently programmed in financial year 2018/19 which may be deferred to 2019/20 owing to changes in project delivery timescales.

Adult Care and Health

Project	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Adult Commissioning and Health						
Extra Care Housing	10,082	2,000	2,000	2,000	2,000	1,818
Adult Care & Health Business Support for Innovation		222	0	0	0	0
Total		2,222	2,000	2,000	2,000	1,818
Adult Care Operations and Health						
Barnstaple Hub	3,000	1,000	0	0	0	0
Disabled Facilities Grant		6,648	6,548	6,548	6,548	0
Lifting and handling equipment		10	0	0	0	0
Works for Care Quality Commission & Provider Services		90	100	50	50	50
Care Teams Accommodation & Equipment		30	50	50	50	50
Technology for Care Homes		20	20	0	0	0
Total		7,798	6,718	6,648	6,648	100
Adult Care & Health Total		10,020	8,718	8,648	8,648	1,918
Financed by:						
Borrowing - Internal		1,900	2,000	2,000	1,318	200
Capital Receipts - General		200	0	0	682	1,618
External Funding - Grants		7,920	6,718	6,648	6,648	100
Total		10,020	8,718	8,648	8,648	1,918

* Scheme Approvals have been included for individual projects.

Children's Services

Project	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Children's Social Care						
Grants to adapt foster carers houses		40	40	40	40	40
Total		40	40	40	40	40
Education & Learning						
South Devon DPLS - Dartington School site	671	406	0	0	0	0
Vehicle Equipment Loans Pool - Schools		200	200	200	200	200
Devolved Formula Capital (DFC)		1,175	1,175	1,175	1,175	1,175
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
Newton Poppleford Primary School - new furniture	55	20	0	0	0	0
Total		2,151	1,725	1,725	1,725	1,725
Childrens Services Total		2,191	1,765	1,765	1,765	1,765
Financed by:						
Borrowing - Internal		416	0	18	0	0
Borrowing - VELP		200	200	200	200	200
Capital Receipts - General		30	40	22	40	40
Direct Revenue Funds - Services		250	250	250	250	250
External Funding - Contributions		70	50	50	50	50
External Funding - Grants		1,225	1,225	1,225	1,225	1,225
Total		2,191	1,765	1,765	1,765	1,765

* Scheme Approvals have been included for individual projects.

Community, Health, Environment and Prosperity

Project	* Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Economy, Enterprise and Skills						
Devon and Somerset Superfast Broadband Programme	13,500	173	2,400	139	0	0
District Heating Networks	177	177	0	0	0	0
Devon Employment Space Strategy - Work Hubs	246	92	0	0	0	0
Okehampton East Business Park	2,129	125	0	0	0	0
Roundswell South Business Park & North Devon Enterprise Centre	7,414	4,396	1,225	61	0	0
Total		4,963	3,625	200	0	0
Planning, Transportation and Environment						
Large and Major Highway Schemes						
A382 Widening, Southern Phase, Newton Abbot	13,000	5,046	2,838	0	0	0
Crediton Link Road	8,421	10	0	0	0	0
Exeter Eastern Growth NPIF	7,196	5,391	0	0	0	0
Sherford Main Street NPIF	8,015	4,139	0	0	0	0
South Devon Highway	117,998	1,942	486	83	514	0
North Devon Link Road	93,115	5,113	9,008	33,271	31,019	9,878
Safer Roads Fund A3121 & A3123		1,900	2,200	0	0	0
Total		23,541	14,532	33,354	31,533	9,878
Sustainable Transport						
Around Devon Cycle Route - Exeter to Broadclyst		1	0	0	0	0
Around Devon cycle route - Teign Estuary		200	169	0	0	0
Marsh Barton Station	7,400	2,600	0	0	0	0
Okehampton East Station		0	0	104	0	0
Total		2,801	169	104	0	0
LTP						
Local Transport Plan (LTP) Integrated transport block		3,601	3,601	3,601	3,601	3,601
Environment						
Flood Prevention Works		350	350	350	350	350
Woods for Water Project	382	56	56	0	0	0
Total		406	406	350	350	350

	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Schools Expansion						
Advanced Design Fees	476	226	250	0	0	0
Bolham Primary School - Additional Classroom	10	7	0	0	0	0
East-the-Water Community Primary School - Early Years Expansion	20	7	0	0	0	0
Orchard Vale Community School - Expansion to 420	20	20	0	0	0	0
St David's Primary - Additional classroom	10	6	0	0	0	0
Bodley House - Special educational need provision	1,735	150	0	0	0	0
Charlton Lodge, Tiverton - SEND Provision	4,179	405	0	0	0	0
Mill Water Community School - Extension	9,608	50	115	0	0	0
Pathfield School - Staff / support accommodation	135	9	0	0	0	0
Pathfield School (Barnstaple) additional teaching accommodation	150	1	0	0	0	0
Torrige Academy (previously Springfield Court Bideford) - Adaptions for children with special educational needs	154	0	22	0	0	0
Ellen Tinkham School - Leonard Cheshire Purchase	340	4	0	0	0	0
Orchard Manor School (formally Ratcliffe School) - Additional Accommodation	582	17	0	0	0	0
Orchard Manor School (formally Ratcliffe School) - Increase Age Range / Additional numbers	65	2	0	0	0	0
SEND Special Provision Capital Fund		300	1,721	0	0	0
Confirmed Basic Need Allocation		536	10,065	0	0	0
Estimated Basic Need		0	0	2,000	2,000	2,000
Energy cost reduction initiative		0	69	0	0	0
Kenn Church of England Primary School, energy reduction scheme	138	75	0	0	0	0
Axminster Primary (Green Lodge) - Expansion	445	0	48	0	0	0
Bassetts Farm Primary School - Expansion Ph 2	504	0	69	0	0	0
Bovey Tracey Primary School - Expansion	160	20	78	0	0	0
Cranbrook New Community - Education Campus	2,120	550	266	0	0	0
East-The-Water Primary - Internal Remodelling	21	2	0	0	0	0
Fremington Primary - Expansion to 420	532	100	0	0	0	0
Gatehouse Primary - Internal Remodelling	143	33	0	0	0	0
Haywards (Credition) Primary - Expansion to 420	970	0	36	0	0	0
Honiton Primary School - Phased Expansion	2,730	1,745	500	0	0	0
Kingsteignton – New Primary School site	1,955	19	0	0	0	0
Landscore Primary (Credition) - Expansion up to 420	1,240	9	0	0	0	0
Payhembury Primary - Additional Classroom	400	15	0	0	0	0
South Molton Infants - Expansion to 420	559	89	0	0	0	0
St Johns CofE Primary School - Expansion to PAN 45	2,154	1,290	0	0	0	0
Sticklepath Primary School - Expansion	604	0	79	0	0	0
Whitchurch Primary - School Extensions	335	5	0	0	0	0
Proposed new primary Okehampton (St James Academy Trust)	6,750	80	0	0	0	0
Cullompton Community College - Expansion	1,465	500	800	0	0	0
Okehampton College – Additional 6th Form Provision	2,037	570	50	0	0	0
South Dartmoor Community College - Additional science provision	17	17	0	0	0	0
South Molton Community College - phased expansion	510	480	0	0	0	0
Total		7,339	14,168	2,000	2,000	2,000

Commissioning Services For Communities

Youth service minor capital works		37	37	37	37	37
Cranbrook library	230	0	0	0	230	0
Library modernisation partnership schemes - Bideford	1,580	100	930	0	0	0
Vehicle Equipment Loans Pool - Fleet management		1,028	1,000	1,000	1,000	1,000
Total		1,165	1,967	1,037	1,267	1,037
Communities, Health, Environment & Prosperity Total		43,816	38,468	40,646	38,751	16,866

Financed by:

Borrowing - Internal		433	3,715	306	661	100
Borrowing - VELP		1,028	1,000	1,000	1,000	1,000
Capital Receipts - General		3,193	1,327	337	448	3,864
Capital Receipts - IID		201	169	104	0	0
Direct Revenue Funds - Services		31	23	23	23	0
External Funding - Contributions		2,903	271	5	0	0
External Funding - Grants		28,246	28,885	37,247	35,105	11,419
External Funding - S106		7,781	3,078	1,624	1,514	483
Total		43,816	38,468	40,646	38,751	16,866

* Scheme Approvals have been included for individual projects.

Corporate Services

Project	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Information and Communications Technology						
DCC Operating Model ICT Replacement and Renewal		1,000	1,000	1,500	1,500	1,500
Total		1,000	1,000	1,500	1,500	1,500
County Solicitor, Legal Services & HR						
DAW Room ICT upgrade	151	151	0	0	0	0
Total		151	0	0	0	0
County Farms Estate						
County Farms Estate Enhancement Programme		600	600	600	600	600
Total		600	600	600	600	600
Corporate Property Estate						
Property Enabling Budget		150	150	150	150	150
Replace and Upgrade Corporate Estate		0	0	600	600	600
Solar Carports	511	511	0	0	0	0
Strategic Centre Improvement - Lucombe House	2,400	600	1,200	0	0	0
Building Maintenance	300	300	0	0	0	0
Corporate Services Total		3,312	2,950	2,850	2,850	2,850
Financed by:						
Borrowing - Internal		300	0	0	0	0
Capital Receipts - General		2,705	2,950	2,850	2,850	2,850
External Funding - Grants		307	0	0	0	0
Total		3,312	2,950	2,850	2,850	2,850

* Scheme Approvals have been included for individual projects.

Highways, Infrastructure Development and Waste

Project	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Schools Maintenance and Improvements						
Estimated Capital Maintenance		0	4,500	4,000	4,000	4,000
Capital Maintenance (contingency)		251	250	0	0	0
DDA Projects Contingency		163	137	0	0	0
MUMIS (contingency)		103	90	0	0	0
SEND - Accessible Adaptations		100	150	0	0	0
Abbotskerswell Primary School - replace timber cladding, external door/frame, roof decking & roof	103	23	0	0	0	0
Appledore Community Primary School - Renew tarmac, fencing & repoint stone wall in outside areas. Block 02 floor structure	73	15	0	0	0	0
Appledore Community Primary School - Block 03 & Block 07 renew flooring	13	10	3	0	0	0
Barley Lane School - Block 01 supply and fit anti-climb system	34	6	0	0	0	0
Bassetts Farm Primary School - Block 01 Replace warm air heaters for wet systems	199	159	40	0	0	0
Beaford Community Primary and Nursery School - Block 01 Replace windows & Flat roof	113	30	0	0	0	0
Berrynarbor CofE Primary School - Block 03 internal wall refurb and joinery	60	8	0	0	0	0
Bishops Tawton Primary School - Block 01 renew wet heating system & boiler	43	8	0	0	0	0
Bolham Community Primary School - Block 01 replace lighting and rewire old part of building.	39	31	8	0	0	0
Caen Community Primary School, hall improvement works	72	22	0	0	0	0
Canada Hill Community Primary School - boiler replacement, heating pump & CO Detection/Auto shutoff	17	3	0	0	0	0
Clyst Vale Community College - accessibility toilet and therapy room	112	19	0	0	0	0
Combe Martin Primary School - Part renew and re-route external foul drains	10	3	0	0	0	0
Countess Wear Community Primary school - CO Detection/Auto Shutoff, replace Boiler flues gas heater, partial replacement of flat roof and	135	26	0	0	0	0
Dawlish Community College - Various Works to Blocks 06, 07 & 10	107	36	0	0	0	0
Decoy Primary School - Block 01 replace windows/doors and replace Fan Convecter. Rooflights, kitchen render and curtain walling	75	15	0	0	0	0
Denbury Primary School - Block 02 & 03 replacement	430	344	86	0	0	0
East Anstey Primary School - Block 01 Roof Purlin Refurbishment	27	22	5	0	0	0
Ellen Tinkham School - Block 01 rewire and replace luminaires	55	44	11	0	0	0
Exminster Community Primary School - Replace windows/doors & internal fire door/shutter, kitchen improvements & roof works.	157	30	0	0	0	0
Forches Cross Community Primary - Drainage improvements	20	4	0	0	0	0
Forches Cross Community Primary - Replace Kitchen Hood, Ventilation Supply and Extractor	25	5	0	0	0	0
Fremington Community Primary and Nursery School - Block 06 replacement	387	77	0	0	0	0
		1,557	5,280	4,000	4,000	4,000

* Scheme Approvals have been included for individual projects.

	*Total Scheme Approval	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Georgeham C of E Primary School - Blocks 01, 02 & 04 Provide emergency lighting. Block 04 Replace oil storage tank	31	25	6	0	0	0
Great Torrington Bluecoat Primary School - Block 01 - Replace Windows, doors, timber cladding, & Fascias, guttering, downpipes and flat roofing	205	60	0	0	0	0
Hatherleigh Community Primary School - Block 04 insulate and re-line walls and replace roof	73	10	0	0	0	0
Ilfracombe Church of England Junior School, underground Heating	20	5	0	0	0	0
Kentisbeare C of E Primary School - Block 01 replace lighting to old part of school	10	2	0	0	0	0
Kilmington Primary School - External Refurbishment of fascias, rendered walls, gutters	29	5	0	0	0	0
King Edward Vi Community College - Block 06 and Block 15 replacement	1,089	279	0	0	0	0
King Edward Vi Community College - Block 01 / 02 repl. Windows & replace fan convectors Block 05 repl. wet heating Block 39 re-roof	441	348	87	0	0	0
Kingsacre Primary School - Block 01 fit aluminum doors and frames.	17	14	3	0	0	0
Kingsbridge Community Primary - creation of hard play area	56	45	11	0	0	0
Ladysmith Infants School - Structural repairs to brickwork & replacement guttering and downpipes	95	18	0	0	0	0
Lypstone C of E Primary School - Blocks 01 & 04 fire alarm	60	48	12	0	0	0
Marland School, retaining wall remedial works	26	5	0	0	0	0
Marwood School - Structural Improvements to Stone Wall	54	43	11	0	0	0
Milton Abbot Primary School - Blk01 Replacement Roof & heaters, Eastern gable remedial works & installation of soakaway	329	88	0	0	0	0
Newton St Cyres Primary School - Moving the Early Years Unit to new site	329	65	0	0	0	0
Newtown Primary School - Block 02 Install Central Heating System. Block 02 replace guttering & downpipes	104	20	0	0	0	0
Offwell C of E Primary - Minor Works	45	36	9	0	0	0
Okehampton College - Block 01 replace windows, doors, timber cladding, render and roofing works. Block 13 windows and spalling	613	150	0	0	0	0
Orchard Manor School (formally Oaklands Park) - Roofing works	277	222	55	0	0	0
Orchard Manor School (formally Ratcliffe School) - upgrade gas safety system. & CO Detection and Auto Shutoff	39	31	8	0	0	0
Pathfield School - Blocks 01 & 05 upgrade fire alarms and install emergency lighting	79	15	0	0	0	0
Payhembury C of E Primary School - Block 01 Renew render, replace 2 windows, investigate damp and internal walls remedial work	38	7	0	0	0	0
Seaton Primary School, roof replacement	200	80	0	0	0	0
Shute Community Primary School - Block 02 Replace timber cladding. Entrance drive -Renew topping to tarmac	100	20	0	0	0	0
Shute Community Primary School - Septic Tank Replacement	45	10	0	0	0	0
Sidmouth College - Investigate drainage/soakaway issues. Blocks 8,9,12 & 16 CO Detection and Auto shutoff	50	4	0	0	0	0
Southmead School - Block 01 flat roof refurb	481	351	85	0	0	0
St Michael's Church of England Primary Schools, Kingsteignton - Boundary Wall	38	8	0	0	0	0
Starcross Primary - DDA adaptations Works	99	24	0	0	0	0
Sticklepath Community School - Block 01 renew render and replace doors. Block 01 kitchen and main hall-electrical upgrade works	48	9	0	0	0	0
		2,047	287	0	0	0

* Scheme Approvals have been included for individual projects.

	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Stoke Hill Infants & Nursery School - Replacement of Blocks 02 & 05	145	116	29	0	0	0
Stoke Hill Infants School - Drainage work	21	6	0	0	0	0
Stoke Hill Junior School - Block 03 replace metal roofing. Block 03 Replace internal suspending ceilings	137	110	27	0	0	0
Tavistock Community Primary School - Block 02 replacement	1,463	785	0	0	0	0
The Lampard School - Block 01 boiler replacement	80	16	0	0	0	0
The Park School, Barnstaple - Block 01 replace doors/frames, Block 09 replace guttering and downpipes. Block 09 replace sump pump and	20	4	0	0	0	0
Thorverton C of E Primary School - Block 01 remedial works to alleviate damp. Replaster walls	22	3	0	0	0	0
Tiverton High School - Replace windows, cladding & doors and external repaint. Replacement radiators.	357	70	0	0	0	0
Two Moors Primary School - Block 04 removal of ACM, replace suspended ceilings, replace fascia cladding panels, fit aluminium	874	700	174	0	0	0
Ugborough Primary School - Block 01 CO Detection & Auto shutoff. Replace boiler	60	11	0	0	0	0
West Exe Children's Centre - Flat Roof improvement works. Kitchen Extractor fan replacement/refurb	40	8	0	0	0	0
Westcroft School - Block 01 boiler replacement. Blocks 201 & 210 CO Detection and Auto Shutoff	70	14	0	0	0	0
Whipton Barton Infants & Nursery School - Block 01 slate roof refurbishment & replacement of cavity wall tiles	391	180	0	0	0	0
Whitchurch Community Primary School - Block 01 Pitched roof replacement	100	80	20	0	0	0
Willand School - Block 01 electrical works	156	125	31	0	0	0
Willowbank Primary School - Block 01 replace UPVC windows and cladding to dormer	22	3	0	0	0	0
Willowbank Primary School - DDA works	13	3	0	0	0	0
Willowbrook Primary School - Upgrade Incoming Gas Supply	35	5	0	0	0	0
Withycombe Raleigh C of E Primary - Renew tarmac in staff carpark	42	34	8	0	0	0
Withycombe Raleigh C of E Primary School - Structural repairs, replace external doors & kitchen improvements	43	8	0	0	0	0
Yeo Valley Primary School - Re-roof pitched & flat roof areas & upgrade of the fire alarm system	157	60	0	0	0	0
		2,341	289	0	0	0
Schools Maintenance and Improvements Total		5,945	5,856	4,000	4,000	4,000

* Scheme Approvals have been included for individual projects.

	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Highways						
Local Transport Plan (LTP) Maintenance		43,084	41,132	41,132	41,132	41,132
Reinstatement of the A379 at Slapton Line		800	0	0	0	0
Street Lighting LED	8,673	1,735	4,336	2,602	0	0
Highways Total		45,619	45,468	43,734	41,132	41,132
Highways, Infrastructure Development and Waste Total		51,564	51,324	47,734	45,132	45,132

	*Total Scheme Approval £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Financed by:						
Borrowing - Internal		1,835	4,486	2,602	0	0
External Funding - Grants		49,729	46,838	45,132	45,132	45,132
Total		51,564	51,324	47,734	45,132	45,132

* Scheme Approvals have been included for individual projects.

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Service Budgets

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Leadership Group Commentary

In a turbulent financial climate for local government, Devon County Council remains committed to doing everything we can to continue to support the people of Devon to live their lives well.

Getting the best value from every pound raised locally and ensuring that investment goes to the point of need is vital, and we are looking closely at the way we work with our partners and communities to be clear that we are achieving this.

We need to be innovative and flexible; open-minded and creative about protecting and finding new ways to get the most from every public pound. It's about challenging our assumptions around our traditional ways of doing things and removing unnecessary stages of work that fail to add value or improve outcomes for people.

We are constantly learning from others about how they work and how we can work better together which means we are beginning to see real change.

One example of the progress we are making is with Adult Social Care in North Devon. By taking time out to really question why they have worked in a particular way for several years, colleagues from across health and social care have been able to free up time to spend with clients and get to the root of people's concerns to help them provide the very best solution. This approach is being rolled out across all our service areas and we are very encouraged to see the positive changes it is making to help improve residents' lives.

We're also accelerating our adoption of the digital agenda and exploring how we can get the most from technology for the benefit of Devon's communities. Being smarter about digital means we can make better connections, and free time for colleagues to have more person-to-person contact, rather than spending time on process.

We don't know what the future holds for the economy, but whatever the outcome is with Brexit, there will be impacts on finances and local government. We are doing all we can to ensure that we remain in a stable position including working with our Heart of the South West partners to engage with central Government, and to ensure we have capacity within our teams to respond to whatever the outcomes are.

What we are determined to do is to remain positive and proactive, and make the very best of the fantastic work and dedication of colleagues to do the very best we can for the people of Devon.

Adult Care and Health

How the 2019/20 Budget has been built up

	2018/19 Adjusted Budget	Changes	2019/20 Outturn Budget
	£'000	£'000	£'000
Adult Care Operations and Health	203,036	4,189	207,225
Adult Commissioning and Health	25,015	359	25,374
Total	228,051	4,548	232,599

Reasons for changes in Revenue Budget	Change £' 000
Technical and Service Changes	
Inflation	4,051
National Living Wage	5,629
Adult Services demographic and demand pressures	3,837
Improved Better Care Fund (Reduction)	(5,103)
	8,414
Savings Strategies	
Strategies to manage demand in adult care, including commissioning arrangements for personal care	(532)
Supporting people with disabilities to live more independently and to reduce their dependence over time	(2,875)
Further impact of changes to community based service charging	(101)
Efficiencies and consolidation of in-house service provision	(194)
Management and Support reductions	(105)
Share of corporate saving initiatives	(59)
	(3,866)
Total	4,548

Analysis of Total Expenditure 2019/20

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Adult Care Operations and Health	273,580	(19,014)	(47,341)	0	207,225
Adult Commissioning and Health	27,664	(1,738)	(552)	0	25,374
Total	301,244	(20,752)	(47,893)	0	232,599

Adult Care and Health

Adult Care Operations and Health

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Disability Services					
2,130	Day Opportunities	1,999	(5)	1,994	(136)
18,657	Direct Payments	21,030	(2,233)	18,797	140
32,814	Enabling/Other	35,351	(274)	35,077	2,263
1,680	Nursing Care	2,587	(349)	2,238	558
6,989	Personal Care	10,890	(2,947)	7,943	954
27,782	Residential Care	33,358	(3,387)	29,971	2,189
90,052		105,215	(9,195)	96,020	5,968
10,148	Improved Better Care Fund	5,045	0	5,045	(5,103)
In House Services					
2,846	Day Opportunities	2,691	(17)	2,674	(172)
5,232	Reablement and Community Enabling	6,000	(600)	5,400	168
3,635	Residential Care	3,730	0	3,730	95
11,713		12,421	(617)	11,804	91
Older People					
1,039	Day Opportunities	955	(34)	921	(118)
5,791	Direct Payments	7,714	(2,242)	5,472	(319)
2,773	Enabling/Other	3,521	(606)	2,915	142
11,552	Nursing Care	19,903	(7,062)	12,841	1,289
13,608	Personal Care	26,327	(12,979)	13,348	(260)
32,257	Residential Care	64,535	(30,263)	34,272	2,015
67,020		122,955	(53,186)	69,769	2,749
23,396	OP&D Care Management	27,224	(3,357)	23,867	471
707	Workforce Development	720	0	720	13
203,036		273,580	(66,355)	207,225	4,189

Analysis of changes:

Technical and Service Changes

Demographic and other growth in demand	3,636
Inflation	3,421
Provision to fund extended National Living Wage increase in April 2019	5,629
Improved Better Care Fund (Reduction)	(5,103)
	7,583

Savings strategies

Strategies to manage demand in adult care, including commissioning arrangements for personal care	(532)
Supporting people with disabilities to live more independently and to reduce their dependence over time	(2,517)
Further impact of changes to community based service charging	(101)
Efficiencies and consolidation of in-house service provision	(194)
Share of corporate saving initiatives	(50)
	(3,394)

Total	4,189
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Service Commentary

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

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

Included in the Operations budget is £5.045 millions of the improved Better Care Fund temporary funding from central government which was announced in March 2017. This is a reduction of £5.103 millions from what was included last year with this being the final year of funding. The deployment of this is subject to joint agreement with NHS partners and is for the benefit of health and social care overall.

The budget also includes £33.153 millions of Better Care Fund funding which contributes directly to the provision of social care services. In addition there is a direct contribution to specific projects of £2.996 millions and other income from health of £1.610 millions.

Key challenges to operations include management of volume and price pressures, which are fundamental to the financial sustainability of the budget, and delivery of the operational change required under the Promoting Independence programme, particularly across working age adults, residents with disabilities and autism which has seen continuing demand pressure in the last year. The resilience and capacity of the social care workforce, especially the registered social work component, is an area of risk. This is subject to active consideration in relation to current level of demand, to ensure an ability to deliver a responsive and effective service.

As residents 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 individual.

Adult Care and Health

Service Statistics and Other Information

		Number of people budgeted to receive service		
		Average through Year		
		2018/19	Change	2019/20
Reablement (across all client groups)	Service Users	3,338	0	3,338
These are new people expected to go through the reablement process				
Disability Services (incl. Autistic Spectrum)				
Day Opportunities	Service Users	280	(26)	254
Direct Payments	Service Users	1,404	36	1,440
Enabling	Service Users	1,455	39	1,494
Nursing Care (including Respite)	Service Users	43	6	49
Personal Care	Service Users	778	55	833
Residential Care (including Respite)	Service Users	597	(9)	588
Older People and Disability - In house				
Day Opportunities	Service Users	198	0	198
Community Enabling	Service Users	330	0	330
Residential Care (including Respite)	Service Users	45	0	45
Older People				
Day Opportunities	Service Users	349	(69)	280
Direct Payments	Service Users	684	(32)	652
Enabling	Service Users	305	42	347
Nursing Care (including Respite)	Service Users	526	(6)	520
Personal Care	Service Users	2,823	(225)	2,598
Residential Care (including Respite)	Service Users	1,902	(24)	1,878

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Adult Care and Health

Adult Commissioning and Health

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Adult Commissioning and Health					
5,632	Centrally Managed Contracts	5,963	(416)	5,547	(85)
1,050	Policy, Performance and Involvement	1,066	0	1,066	16
2,437	Strategic Commissioning	2,649	(186)	2,463	26
1,426	Transformation	1,476	(20)	1,456	30
10,545		11,154	(622)	10,532	(13)
14,470	Mental Health Services Commissioning	16,510	(1,668)	14,842	372
25,015		27,664	(2,290)	25,374	359

Analysis of changes:

£'000

Technical and Service Changes

Demographic and other growth in demand in Mental Health	201
Inflation	630
	831

Savings Strategies

Management and support reductions	(105)
Share of corporate savings initiatives	(9)
Supporting people with mental health needs to live more independently	(358)
	(472)

Total	359
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Service Commentary

Centrally Managed Contracts are those managed directly by commissioning staff including support to carers, homelessness support 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, and consultation with carers and families.

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 private and 3rd sector providers which are under pressure, particularly personal care markets, 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 an ongoing 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		
		2018/19	Change	2019/20
Mental Health Services				
Day Opportunities	Service Users	9	3	12
Direct Payments	Service Users	72	11	83
Enabling	Service Users	532	29	561
Nursing Care (including Respite)	Service Users	5	(1)	4
Personal Care	Service Users	39	(19)	20
Residential Care (including Respite)	Service Users	152	(1)	151

Children's Services

How the 2019/20 Budget has been built up

	2018/19 Adjusted Budget	Changes	2019/20 Outturn Budget
	£'000	£'000	£'000
Children's Social Care	84,314	10,410	94,724
Education and Learning - General Fund	39,255	1,174	40,429
Education and Learning - School Funding	0	0	0
Total	123,569	11,584	135,153

	Change £' 000
Reasons for changes in Revenue Budget	
Technical and Service Changes	
Inflation	2,864
National Living Wage	686
Demographic and demand pressures	9,679
Other contract and service pressures	
	<u>13,229</u>
Savings Requirements	
Children's Social Care	
Share of corporate savings initiatives	(39)
Reduce reliance on external foster carer placements	(141)
Reduction in use of external legal advice	(250)
Realign management capacity	(181)
Realignment of resources for disabled children	(200)
Education and Learning	
Consolidation and cost reduction from Children Centres contracts	(500)
Home to School/College transport - personalised approach to Independent travel	(200)
Share of corporate savings initiatives	(6)
Inclusion - Babcock Dividend	(128)
	<u>(1,645)</u>
Total	11,584

Analysis of Total Expenditure 2019/20

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	117,182	(7,554)	(1,164)	(13,740)	94,724
Education and Learning - General Fund	42,744	(928)	(597)	(790)	40,429
Education and Learning - School Funding	552,611	(551,791)	(59)	(761)	0
Total	712,537	(560,273)	(1,820)	(15,291)	135,153

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

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Children's Social Care					
Atkinson	3,778	(407)	(2,759)	(612)	0
Total	3,778	(407)	(2,759)	(612)	0
Grand total	716,315	(560,680)	(4,579)	(15,903)	135,153

Children's Services

Children's Social Care

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
	Disabled Children's Services				
5,224	Children In Need Short-Break Services	7,837	(563)	7,274	2,050
4,261	Contracts	2,226	(154)	2,072	(2,189)
2,791	Social Work Area Teams	3,316	(156)	3,160	369
12,276		13,379	(873)	12,506	230
	Early Help (Access)				
838	Emergency Duty Team	1,034	(175)	859	21
949	Multi Agency Safeguarding Hub	979	0	979	30
532	Reach	534	0	534	2
2,319		2,547	(175)	2,372	53
	Early Help (Provision)				
1,603	Early Help Co-Ordination	4,448	(2,769)	1,679	76
690	Youth Offending - Statutory and Prevention	1,562	(865)	697	7
2,293		6,010	(3,634)	2,376	83
	Looked After Children (Operations)				
0	Adopt South West	1,574	0	1,574	1,574
1,118	Adoption Allowances and Fees	921	0	921	(197)
1,946	Adoption Team	526	0	526	(1,420)
495	Child Arrangements and Private Kinship	308	0	308	(187)
1,075	Contracts	1,101	0	1,101	26
3,420	Fostering Team	3,482	0	3,482	62
2,510	Special Guardianship Orders	2,821	0	2,821	311
10,564		10,733	0	10,733	169
	Looked After Children and Care Leavers				
4,923	Disabled Children's Placements	7,182	(1,556)	5,626	703
8,157	Independent Fostering	7,329	0	7,329	(828)
1,221	Independent Post 18 Placements	1,642	(46)	1,596	375
8,763	Independent Residential Care	17,336	(2,980)	14,356	5,593
2,981	Independent Supported Accommodation	3,622	(173)	3,449	468
8,028	Internal Fostering	9,995	(36)	9,959	1,931
173	Internal Post 18 Placements	605	(164)	441	268
510	Internal Supported Accommodation	0	0	0	(510)
535	Secure Accommodation	586	(26)	560	25
421	Unaccompanied Asylum Seeking Children	2,580	(2,119)	461	40
35,712		50,877	(7,100)	43,777	8,065
0	Public Health Nursing	10,000	(10,000)	0	0
1,640	Quality Assurance Reviewing Safeguarding	1,677	0	1,677	37
	Social Work Teams				
14,263	Social Work Teams	15,807	0	15,807	1,544
1,048	Supervised Contact Service	1,067	0	1,067	19
15,311		16,874	0	16,874	1,563
4,199	Strategic Management and Legal Costs	5,085	(676)	4,409	210
84,314		117,182	(22,458)	94,724	10,410

Children's Services

Analysis of changes:	£'000
Technical and Service Changes	
Inflation	2,032
National Living Wage	200
Demographic and other growth in demand	
Placement demand pressures, particularly residential provision	5,972
Foster carer allowance review	1,000
Service improvement and development plan	2,017
Transfer of commissioned services for disabled children	(1,982)
Direct provision of residential short breaks services for disabled children	1,673
Direct provision of services for visually impaired children	309
	<hr/>
	11,221
Savings Strategies	
Share of corporate savings initiatives	(39)
Reduce reliance on external foster carer placements	(141)
Reduction in use of external legal advice	(250)
Realign management capacity	(181)
Realignment of resources for disabled children	(200)
	<hr/>
	(811)
Total	<hr/> 10,410 <hr/>

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 includes a range of services targeted to support families and thus help to avoid the need for children to come into care. It also provides short breaks and respite care services for disabled children and their families. From April 2019 the service will undertake direct delivery of residential short breaks providing the opportunity to orientate the service to better reflect the preference of families to access community-based resources.

From April 2019 Children's services will become the provider of the 0-19 Public Health Nursing Service. The overall purpose of the 0-19 Public Health Nursing Service is to contribute to the improvement in the health and wellbeing that support all children and young people, to keep families safe, and to reduce health related risks across the life-course.

During 2018/19 Children's services became host to Adopt South West, a Regional Adoption Agency bringing together adoption services from Devon, Plymouth, Torbay and Somerset. The partners work together to make the adoption process simpler and quicker.

Children's services continue to balance the increasingly complex needs of some young people and delivering for them the best outcomes possible against a backdrop of a national lack of sufficiency of appropriate placements and escalating costs.

Service Statistics

		Number of people budgeted to receive service		
		Average through Year		
Children's Social Care	Unit of Measurement	2018/19	Change	2019/20
Looked After Children				
External Residential	Service Users	82	20	102
Internal Fostering Placements	Service Users	343	44	387
External Fostering Placements	Service Users	176	(19)	157
Foster to Adopt	Service Users	9	(3)	6
External Supported Lodgings/Housing	Service Users	43	(3)	40
Internal Residential Special School	Service Users	2	1	3
Medical Establishment	Service Users	1	1	2
Placed For Adoption	Service Users	21	(4)	17
Placed with Parents/ awaiting assessment	Service Users	21	(1)	20
Secure Welfare	Service Users	2	0	2
Remand / Custody	Service Users	2	(1)	1
Unaccompanied Asylum Seeking Children	Service Users	52	(27)	25
Total Looked After Children		754	8	762
		2018/19	Change	2019/20
Other Children's Services				
Staying Put/Care Leavers	Service Users	61	20	81
Children subject to a Child Protection Plan	Service Users	480	67	547
Children in Need - Assessments	Service Users	4,820	1,134	5,954
Children in Need - Placements	Service Users	1	(1)	0
Adoption Allowances	Service Users	103	(5)	98
Special Guardianship Order Allowances	Service Users	306	30	336
Residence/Child Arrangement Order Allowances	Service Users	71	(28)	43
Shortbreak Services and Direct Payments	Service Users	1,322	242	1,564

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Children's Services

Education and Learning (General Fund)

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Infrastructure					
456	Admissions, Data and Strategic Management	792	(195)	597	141
45	Legal Disbursements	45	0	45	0
1,201	Teachers Pension - Historic Enhancements	1,201	0	1,201	0
1,702		2,038	(195)	1,843	141
School Improvement Inclusion and Safeguard					
2,399	Closing The Gap	2,302	(19)	2,283	(116)
2,911	Inclusion	3,557	(533)	3,024	113
1,238	Quality Service and Provision	2,189	(974)	1,215	(23)
607	Safeguarding Every Learner	707	0	707	100
7,155		8,755	(1,526)	7,229	74
School Transport					
3	Home to College	8	(35)	(27)	(30)
12,506	Home to School	13,591	(190)	13,401	895
10,048	Personalised Transport	10,990	(152)	10,838	790
22,557		24,589	(377)	24,212	1,655
466	Vulnerable Groups and Virtual School	553	(58)	495	29
7,375	Children's Centres and Early Years Servs	6,809	(159)	6,650	(725)
39,255		42,744	(2,315)	40,429	1,174

Analysis of changes:

£'000

Technical and Service Changes

Inflation	832
National Living Wage	486
Demographic and other growth in demand - Transport	624
Demographic and other growth in demand - Infrastructure	66
	<u>2,008</u>

Savings Strategies

Consolidation and cost reduction from Children Centres contracts	(500)
Home to School/College transport - personalised approach to Independent travel	(200)
Share of corporate savings initiatives	(6)
Inclusion - Babcock Dividend	(128)
	<u>(834)</u>

Total

1,174

Service Commentary

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

The number of bus and coach operators continues to fall with a number of contracts handed back. This has resulted in a 23% increase in costs when re-tendered.

The cost of Personalised School Transport continues to rise. While pupil numbers have recently stabilised the complex nature of transport required, distances travelled and increased operating costs means the average unit cost has risen by 13%.

Service Statistics

Transport	Unit of Measurement	2018/19	Change	2019/20
School/College Transport	Pupil Numbers p.a.	12,719	(278)	12,441
Personalised Transport	Pupil Numbers p.a.	1,676	(19)	1,657

Children's Services

Education and Learning (School Funding)

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Schools					
15,812	Academy and Independents	18,288	0	18,288	2,476
234,132	Primary Schools	236,629	0	236,629	2,497
176,910	Secondary Schools	181,327	0	181,327	4,417
426,854		436,244	0	436,244	9,390
De-Delegated Schools Budget					
126	Facilitation and Representation	125	(8)	117	(9)
535	Licences and Subscriptions	534	0	534	(1)
1,042	Maternity	977	0	977	(65)
114	School Intervention Fund	108	0	108	(6)
1,003	Schools and DSG Contingency	932	0	932	(71)
1,242	Targeted Specialist Services	1,205	0	1,205	(37)
4,062		3,881	(8)	3,873	(189)
Central Provision Within Schools Budget					
306	Admissions	550	(74)	476	170
1,652	Other DSG Services	1,700	(17)	1,683	31
292	Phase Associations	314	(22)	292	0
1,569	Pupil Growth	2,698	0	2,698	1,129
848	Support Services	933	(85)	848	0
873	Termination of Employment Costs	873	0	873	0
5,540		7,068	(198)	6,870	1,330
High Needs Budget					
2,277	Alternative Provision	2,844	(150)	2,694	417
1,486	Children In Care and Inclusion	1,451	0	1,451	(35)
1,500	Closing The Gap	1,500	0	1,500	0
293	Hospital Education Services	292	0	292	(1)
349	Inclusion	334	0	334	(15)
27,232	Maintained Special Schools	29,330	(211)	29,119	1,887
1,164	Nursery Plus	1,164	0	1,164	0
15,206	Other Special School Fees	15,323	(273)	15,050	(156)
284	Recoupment	1,346	(722)	624	340
144	Safeguarding Every Learner	144	0	144	0
10,805	SEN Mainstream	10,988	0	10,988	183
924	SEN Services	924	0	924	0
1,324	Support Centre Funding	1,305	0	1,305	(19)
62,988		66,945	(1,356)	65,589	2,601
38,338	Early Years Budget	38,473	(100)	38,373	35
Schools Funding					
(491,983)	Dedicated Schools Grant (DSG)	0	(502,213)	(502,213)	(10,230)
(4,915)	Early Years - Disadvantaged 2 Year Olds	0	(4,915)	(4,915)	0
(14,166)	Other School Grants	0	(17,813)	(17,813)	(3,647)
(2,496)	Post 16 Funding	0	(1,786)	(1,786)	710
(24,222)	Pupil Premium	0	(24,222)	(24,222)	0
(537,782)		0	(550,949)	(550,949)	(13,167)
0		552,611	(552,611)	0	0

Children's Services

Analysis of changes:	£'000
Pupil Growth - new and expanding schools	1,129
Changes in de-delegation - net effect of academy conversions and increased demand	(189)
Increase in Early Years Disability Access Fund	33
Other Early Years adjustments	2
Additional investment in Admissions services	170
Increase in Education Services Grant	31
Additional investment for children with complex needs	2,184
Additional investment for children in Alternative Provision	417
Net changes to mainstream school budgets arising mainly from demographic changes	9,390
Increase in Dedicated Schools Grant and other grants arising from demographic changes.	(7,747)
Increase in Dedicated Schools Grant due to baseline increase to the High Needs block and one year additional allocation to the High Needs block.	(2,323)
Increase in Other School Grants due to new Teacher's Pay Grant	(3,807)
Decrease in Post 16 funding	710
Total	0

Children's Services

Service Commentary

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

It should be noted that the staffing data does not include the 4,982 staff employed by Devon County Council working in Maintained schools. Funding for these staff is delegated to and managed by the individual schools, in the same way as Academies.

Within the DSG the significant cost pressure continues to relate to the High Needs block, 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 is to a large extent reliant on successfully keeping children in mainstream schools and increasing the capacity in our maintained special schools; reducing the costs through better value for money in the independent sector and working with the Devon Inclusion Partnership to reduce the number of Alternative Provision placements. Whilst we have been successful in increasing our maintained special school capacity by almost 20% over the past 3 years our ability to continue to expand this more cost-effective provision is becoming limited due to physical space increasing costs. The opening of new schools is now dependent on the Free school programme, (or free school presumption if funded by the Local Authority).

Service Statistics

Number of local authority maintained schools and academies		Number of organisations	Number of Schools		
Local Authority Maintained Schools				201	
Federations		33		83	
Management Partnerships		10		21	
% of schools actively collaborating				52%	
Free Schools				9	
Academies				157	
Number of schools in multi-academy trusts/collaborations				148	
% of academies in multi academy trusts / collaborations				89%	
Total all schools and academies				367	
Number of pupils in LA maintained schools		Unit of Measurement	Oct-2017	Change	Oct-2018
Nursery Schools		Pupil Numbers PTE	223	(83)	140
Maintained Nurseries within Primary Schools		Pupil Numbers PTE	1,562	(135)	1,427
			1,785	(218)	1,567
Primary		Numbers on Roll	37,767	(4,010)	33,757
Secondary		Numbers on Roll	11,858	(3,772)	8,086
Post 16		Numbers on Roll	807	(462)	345
			50,432	(8,244)	42,188
Number of pupils in academy schools					
Primary		Numbers on Roll	17,349	4,281	21,630
Secondary		Numbers on Roll	22,429	4,287	26,716
			39,778	8,568	48,346
Number of pupils in Free schools					
Primary		Numbers on Roll	435	183	618
Secondary		Numbers on Roll	547	(7)	540
			982	176	1,158
Total number of pupils in LA maintained schools, academies and free schools					
Nursery Schools		Pupil Numbers PTE	1,785	563	2,348
Primary		Numbers on Roll	55,551	454	56,005
Secondary		Numbers on Roll	34,834	508	35,342
Post 16 (maintained only)		Numbers on Roll	807	(462)	345
			92,977	1,063	94,040
Percentage of pupils in academy schools					
Primary		Numbers on Roll	32.0%	7.7%	39.7%
Secondary		Numbers on Roll	66.0%	11.1%	77.1%

Children's Services

Early Years Education Provision

	2018/19	Change	2019/20
Early Years Independent Provision	Pupil Numbers PTE 8,016	(521)	7,495
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 4,044	(659)	3,385
Disadvantaged two year olds	Pupil Numbers PTE 1,764	(106)	1,658

Young People with Additional Needs

	2018/19	Change	2019/20
Pupils with Education Health Care Plans	Number of young people 1,928	295	2,223
Pupils with a 'My Plan' (non statutory)	Number of young people 165	(165)	0
Independent Special Schools (pre 16)	Pupil Numbers 175	75	250
Maintained Special Schools Pre 16	Number of budgeted Places 997	113	1,110
Maintained Special Schools Post 16	Number of Budgeted Places 100	6	106
Post 16 placements for young people with SEN (excl maintained spec schools)	Number of Budgeted Places 525	107	632
Alternative Provision	Number of Planned Places 260	(10)	250

Communities, Public Health, Environment and Prosperity

How the 2019/20 Budget has been built

	2018/19 Adjusted Budget	Changes	2019/20 Outturn Budget
	£'000	£'000	£'000
Communities and Other Services	11,631	51	11,682
Economy, Enterprise and Skills	4,995	(111)	4,884
Planning, Transportation and Environment	21,282	729	22,011
Public Health	418	(418)	0
Total	38,326	251	38,577

Reasons for changes in Revenue Budget	£' 000
Technical and Service Changes	
Inflation	617
National Living Wage	123
Removal of one-off budget- Children's Community Health and Care Services	(418)
Funding for bus services previously paid under S106	226
Transport Section 19 and 22 permit changes	300
Increased activity demand	165
	<hr/> 1,013
Savings Requirements	
Use of alternative funding	(100)
Service efficiencies	(108)
Share of corporate initiative	(22)
Reprioritised community grant schemes	(340)
Reduced general spending	(70)
Contribution from capital project	(22)
Increased external income	(100)
	<hr/> (762)
Total	251

Analysis of Total Expenditure for 2019/20

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Communities and Other Services	13,188	(113)	(448)	(945)	11,682
Economy, Enterprise and Skills	7,657	(488)	(2,005)	(280)	4,884
Planning, Transportation and Environment	25,986	(1,267)	(1,627)	(1,081)	22,011
Public Health	27,808	(27,640)	(108)	(60)	0
Total	74,639	(29,508)	(4,188)	(2,366)	38,577

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

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Communities and Other Services					
Active Devon	1,696	(830)	(139)	(727)	0
Out of The Shadow (VAWG)	184	(184)	0	0	0
Syrian Refugees	666	(666)	0	0	0
Youth Projects	81	(80)	0	(1)	0
Economy, Enterprise and Skills					
Career Learning Programme Co-Ordination	11	(11)	0	0	0
EU - Digital Utilisation Growth	491	(491)	0	0	0
EU - Enhance Social Enterprise	95	(43)	(52)	0	0
EU - Enhance Social Enterprise UOE	9	(5)	(4)	0	0
EU - Growth Support Programme	89	(44)	(45)	0	0
EU - Growth Support Programme UOE	9	(5)	(4)	0	0
EU - Innovation In Healthy Ageing	76	(46)	0	(30)	0
EU - North Devon Enterprise Centre	81	(81)	0	0	0
LAG - MIL (Making It Local 2)	57	(57)	0	0	0
LAG - REAL Devon	50	(50)	0	0	0
Learn Devon	3,516	(3,262)	(249)	(5)	0
Local Digital Skills Partnership Catalyst	50	(50)	0	0	0
Planning, Transportation and Environment					
AONB Blackdown Hills	223	(207)	(1)	(15)	0
AONB North Devon	191	(177)	0	(14)	0
Cycle Bikeability Training	280	(280)	0	0	0
Devon Maritime Forum	20	(9)	(1)	(10)	0
Exe Estuary Partnership	29	(19)	0	(10)	0
Local Sustainable Transport Fund Grants	500	(500)	0	0	0
NHS Patient Transport Advice Service	3,368	0	(3,337)	(31)	0
Other Countryside Projects	519	(456)	0	(63)	0
South West Coast Path Team	92	(92)	0	0	0
Sustainable Mobility Plans (INNOVASUMP)	46	(39)	0	(7)	0
Transport Co-Ordination Service	3,134	(1,146)	(1,970)	(18)	0
Total	15,563	(8,830)	(5,802)	(931)	0
Grand total	90,202	(38,338)	(9,990)	(3,297)	38,577

Communities and Other Services

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Commissioning Services For Communities					
748	Heritage Centre and Devon Records Office	779	(10)	769	21
6,433	Library and Information Service	6,774	(341)	6,433	0
1,760	Youth Services	1,838	(78)	1,760	0
8,941		9,391	(429)	8,962	21
Planning and Insight					
0	Community Safety and Violence Prevention	831	(831)	0	0
(222)	County Wide Research, Performance Review	0	0	0	222
155	Emergency Planning	302	(43)	259	104
168	Research, Intelligence and Performance	121	0	121	(47)
101		1,254	(874)	380	279
Safer and Stronger Communities					
808	Commissioning / Grants	772	0	772	(36)
581	Community	871	(203)	668	87
1,200	Locality / Communities Together	900	0	900	(300)
2,589		2,543	(203)	2,340	(249)
11,631		13,188	(1,506)	11,682	51

Analysis of Changes:

£'000

Technical and Service changes

Inflation	140
National Living Wage	50
Additional Emergency Planning support, training and activity	100
	<u>290</u>

Savings Strategies

Removal of Council wide information management resources saving	222
Efficiency saving - Library Contract	(100)
Reprioritised community grant process	(340)
Reduced activity budget and share of corporate initiative	(21)
	<u>(239)</u>

Total **51**

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.

In 2018/19 a saving of £222,000 was shown under the Research, Intelligence and Performance service as a corporate target across the County relating to a review of council wide information management resources. The aims of the project have been reviewed and are now part of the Smarter Devon project, as a consequence, the saving on this line has been removed.

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	2018/19 Estimate	Change	2019/20 Estimate
Libraries				
Static Libraries	No.	50	0	50
Mobile Libraries	No.	4	0	4
PCs available with public access	No.	436	(8)	428

Economy, Enterprise and Skills

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Business Support and Innovation					
302	Business Growth Support	380	(88)	292	(10)
1,806	Trading Standards	3,531	(1,695)	1,836	30
2,108		3,911	(1,783)	2,128	20
Economic Infrastructure and Development					
905	Economic Development	1,158	(239)	919	14
(11)	Industrial Estates	121	(132)	(11)	0
894		1,279	(371)	908	14
Employment and Skills					
193	Labour Market Development	817	(619)	198	5
1,800	Post 16 Provision	1,650	0	1,650	(150)
1,993		2,467	(619)	1,848	(145)
4,995		7,657	(2,773)	4,884	(111)

Analysis of changes:

£'000

Technical and Service changes

Inflation	54
Enterprise Zone project contribution	8
Broadband (BDUK) project	7
	<u>69</u>

Savings Strategies

Efficiencies - Post 16 transitions contract	(150)
Share of corporate initiative	(8)
Contribution from the North Devon Enterprise Centre project	(22)
	<u>(180)</u>

Total **(111)**

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

Service/ Activity	Unit of Measurement	2018/19 Estimate	Change	2019/20 Estimate
Trading Standards (Shared Service)				
Business premises on Trading Standards database	No.	75,686	395	76,081
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	16,400	(425)	15,975
Learn Devon				
Learn Devon - Enrolments	No.	8,500	0	8,500

Planning, Transportation and Environment

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Environment Service					
487	Environment Policy	622	(124)	498	11
954	Flood Risk and Surface Water Management	808	0	808	(146)
381	Projects and Partnerships	471	(39)	432	51
1,822		1,901	(163)	1,738	(84)
Planning and Transportation					
527	Development Management	1,498	(957)	541	14
2,699	Planning and Transportation	2,748	(188)	2,560	(139)
3,226		4,246	(1,145)	3,101	(125)
Public and Community Transport					
9,102	National Concessionary Travel Scheme	9,286	(20)	9,266	164
3,380	Public Transport Support	5,205	(1,232)	3,973	593
2,435	TCS Fleet	3,233	(798)	2,435	0
1,317	Transport Co-Ordination Service	2,115	(617)	1,498	181
16,234		19,839	(2,667)	17,172	938
21,282		25,986	(3,975)	22,011	729

Analysis of changes:

£'000

Technical and Service changes

Inflation	423
National Living Wage	73
Transport Section 19 and 22 permit changes	300
Ash Dieback - Treescapes project	50
Funding for bus services previously paid under S106	226
	<u>1,072</u>

Savings Strategies

Reduction in flood prevention programme	(50)
Alternative funding from capital for flood prevention programme	(100)
Increased inspection fee generation based on current trend	(100)
Minor savings on activity budgets and share of corporate initiative	(93)
	<u>(343)</u>

Total

729

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

Service/ Activity	Unit of Measurement	2018/19 Estimate	Change	2019/20 Estimate
Planning, Transportation & Environment				
County Matter applications	No.	60	0	60
County Council development applications	No.	40	0	40
Sustainable drainage consultations for major development	No.	870	(70)	800
Land drainage consents	No.	45	10	55
East Devon Traffic Screenline - Average daily no. of vehicles crossing (predicted)	No.	139,500	2,300	141,800
Public Transport				
Local bus services contracts	No.	126	(3)	123
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

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Public Health					
2,155	Children 5-19 Public Health Programmes	2,149	0	2,149	(6)
954	Community Safety, Violence Prevention and Social Exclusion	959	0	959	5
54	Health At Work	58	0	58	4
107	Health Protection	113	0	113	6
8,567	Mandated 0-5 Children's Services	8,097	0	8,097	(470)
111	National Child Measurement Programme	79	0	79	(32)
683	NHS Health Check Programme	458	0	458	(225)
469	Obesity	509	(113)	396	(73)
503	Other Public Health	562	(36)	526	23
269	Physical Activity	278	0	278	9
222	Public Health Advice to NHS Commissioners	288	0	288	66
(28,162)	Public Health Income	0	(27,508)	(27,508)	654
398	Public Mental Health	285	(151)	134	(264)
6,219	Sexual Health	6,227	0	6,227	8
1,314	Smoking and Tobacco	1,193	0	1,193	(121)
5,444	Substance Misuse	5,430	0	5,430	(14)
1,111	Support Services	1,123	0	1,123	12
418		27,808	(27,808)	0	(418)

Analysis of changes:

£'000

Technical and Service Changes

Removal of one-off budget- Children's Community Health and Care Services	(418)
	<u>(418)</u>

Savings Strategies and Revised programmes

Reduced grant and revised programmes funded by:	
Reduction in Department of Health grant	726
NHS Health Check programme - Reduced demand	(225)
Diabetes contract - Delayed start	(73)
Smoking and Tobacco initiatives - Reduced demand	(121)
Public Mental Health - Contract ends	(264)
Other minor efficiencies and additional income	<u>(43)</u>
	<u>0</u>
	0

Total **(418)**

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 2019/20.

A programme of revised procurement arrangements has been undertaken during 2018/19 to enable service demands to be met from the reducing ring-fenced grant. This will see a significant change to the delivery of the children's community health and care services and the cessation of the Early Help for Mental Health contract. The latter was agreed as part of last year's budget reductions but was subsequently extended by 6 months due to a joint funding arrangement to prevent there being a gap between contract ending and the new integrated children's service contract beginning.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2018/19	Change	2019/20
		Estimate		Estimate
Local opiate clients in treatment	Individuals	1,195	40	1,235
Local non-opiate clients in treatment	Individuals	413	(5)	408
Local alcohol clients in treatment	Individuals	1,002	(164)	838
Genito-urinary medicine patients treated	Individuals	28,433	1,164	29,597
Contraception services accessed	Individuals	31,483	638	32,121

Corporate Services

How the 2019/20 Budget has been built up

	2018/19 Adjusted Budget	Changes	2019/20 Outturn Budget
	£'000	£'000	£'000
Chief Executive, HR, Legal and Communications	7,073	452	7,525
Cross Council Savings Strategies	0	(1,941)	(1,941)
Digital Transformation and Business Support	16,382	(1,047)	15,335
Organisational Development	715	128	843
Treasurer's Services	11,136	76	11,212
Total	35,306	(2,332)	32,974

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

Technical and Service Changes

Inflation	1,108
National Living Wage	18
Other demographic, contract and service pressures	350
	1,476

Savings Strategies

Staffing reductions and turnover savings	(2,303)
Review of council wide contracts	(250)
Facilities management and property maintenance / rationalisation	(625)
Reduction in unfunded pension commitments	(147)
IT software, licence and support savings	(324)
Increased income generation (net savings)	(140)
Other efficiencies and reviews	(19)
	(3,808)

Total	(2,332)
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Analysis of Total Expenditure 2019/20

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Chief Executive, HR, Legal and Communications	21,372	0	(5,246)	(8,601)	7,525
Cross Council Savings Strategies	(1,941)	0	0	0	(1,941)
Digital Transformation and Business Support	31,098	(8,863)	(4,537)	(2,363)	15,335
Organisational Development	843	0	0	0	843
Treasurer's Services	20,968	0	(7,560)	(2,196)	11,212
Total	72,340	(8,863)	(17,343)	(13,160)	32,974

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

	Gross Expenditure	Grant and Contribution	External Income	Internal Income	Net Expenditure
Digital Transformation and Business Support					
ScoMIS	9,657	0	(2,735)	(6,922)	0
Treasurer's Services					
Devon Audit Partnership	1,480	0	(1,480)	0	0
Total	11,137	0	(4,215)	(6,922)	0
Grand total	83,477	(8,863)	(21,558)	(20,082)	32,974

Corporate Services

Chief Executive, Human Resources, Legal and Communications

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
1,434	Coroners Service	1,482	(1)	1,481	47
	Human Resources				
(92)	Employee Services	8,740	(8,677)	63	155
314	Management and Strategy	311	(78)	233	(81)
1,011	Performance	1,031	(55)	976	(35)
972	Personnel Services Operations	2,145	(1,135)	1,010	38
2,205		12,227	(9,945)	2,282	77
1,077	Legal Services	2,542	(1,190)	1,352	275
1,075	Media, Marketing and Communications	1,407	(312)	1,095	20
	Other Services				
126	Corporate Management	295	(67)	228	102
1,791	Cost of Democracy	1,915	(85)	1,830	39
135	Local Authority Subscriptions	135	0	135	0
2,052		2,345	(152)	2,193	141
(770)	Registration Service	1,369	(2,247)	(878)	(108)
7,073		21,372	(13,847)	7,525	452

Analysis of changes:

£'000

Technical and Service Changes

Inflationary increases	265
Other demographic, contract and service pressures	442
	<u>707</u>

Savings Strategies

Staffing reductions and turnover	(255)
	<u>(255)</u>

Total Chief Executive, HR, Legal and Communications

452

Service Commentary

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

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

The 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, with 126 apprentices currently employed and 50 of those being existing staff undertaking apprenticeship qualifications. It ensures legal compliance for reporting requirements such as the Gender Pay Gap, and Trade Union Facility Time Funding for Data Transparency. In addition, consultancy support and advice is provided on the application of employment law, health and safety regulations and internal HR policies; administration of a payroll service; administration of a disclosure and barring service; co-ordination of recruitment campaigns; provision of a large pool of skilled office support workers available at short notice for temporary cover; provision of training and mediation services.

The drive to transform and change services continues to be acute at present and balancing those demands with the need to make significant budget savings, particularly within the HR Service, is the key pressure, as there are substantial demands for support from front-line services that are themselves undergoing significant organisational change. To enable the HR Service to meet these demands a new Human Resources Management System (HRMS) has been 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. The HR Service is also closely involved in activities to support adult health and social care integration, through representation on a number of the workforce-related groups of the NHS/local authority Sustainable Transformation Programme (STP).

Corporate Services

Service Statistics and Other Information

CHIEF EXECUTIVE, LEGAL AND COMMUNICATIONS

	Unit of Measurement	2016/17 actual	Change	2017/18 * actual
Coroners Service				
Caseload	No.	2,975	(142)	2,833
Total inquests opened	No.	337	2	339
Natural deaths reported with a Post Mortem	No.	587	10	597
Registration Service				
Certificates issued	No.	67,580	2,747	70,327

* Latest figures available

	Unit of Measurement	2018/19 estimates	Change	2019/20 estimates
HUMAN RESOURCES				
Apprentices employed	No.	126	(6)	120
Payslips p.a	No.	248,300	(15,300)	233,000
DBS checks processed p.a	No.	18,900	300	19,200
Answered calls to HR Direct p.a	No.	10,000	0	10,000
Answered calls to Payroll p.a	No.	15,000	2,250	17,250
Answered calls to Recruitment p.a	No.	11,250	250	11,500

Cross Council Savings Strategies

2018/19 Adjusted Budget £'000	Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
0 Cross Council Savings Strategies	(1,941)	0	(1,941)	(1,941)
0	(1,941)	0	(1,941)	(1,941)

Analysis of changes:

£'000

Savings requirements

Staffing reductions - review of business support functions	(1,691)
Review of council wide contracts	(250)
	<u>(1,941)</u>

Total

(1,941)

Service Commentary

This budget comprises of £1.941 millions in respect of savings that whilst led by Corporate Services will be delivered across the Council, requiring the restructuring of services and other operational changes.

Corporate Services

Digital Transformation & Business Support

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Business Infrastructure					
5,007	Business Services and Support	5,728	(805)	4,923	(84)
562	Customer Relations	719	(156)	563	1
2,923	Facilities Management	4,572	(2,079)	2,493	(430)
(6,495)	Private Finance Initiatives	2,306	(8,850)	(6,544)	(49)
1,997		13,325	(11,890)	1,435	(562)
Estates					
1,796	Building Maintenance	1,523	(13)	1,510	(286)
1,093	Estates Corporate	1,449	(393)	1,056	(37)
(414)	Farms	700	(1,164)	(464)	(50)
2,475		3,672	(1,570)	2,102	(373)
ICT					
1,427	Customer Service Centre	1,467	(13)	1,454	27
9,381	ICT	10,869	(1,531)	9,338	(43)
10,808		12,336	(1,544)	10,792	(16)
1,102	Procurement	1,765	(759)	1,006	(96)
16,382		31,098	(15,763)	15,335	(1,047)

Analysis of changes:

£'000

Technical and Service Changes

Inflationary increases	557
National living wage (Facilities Management)	18
Removal of one-off funding for premises	(265)
IT Roadmap 2018-2020	173
	<u>483</u>

Savings requirements

Staffing reductions and turnover savings	(311)
IT software, licence and support savings	(324)
Property rationalisation initiatives	(325)
Corporate Maintenance savings	(300)
ScoMIS - increased growth from educational marketplace	(50)
Other income generation	(40)
Other efficiencies and reviews	(130)
County Farms - rental reviews (net savings)	(50)
	<u>(1,530)</u>

Total

(1,047)

Service Commentary

The Digital Transformation and Business Support Service must lead and drive the digital transformation agenda. As such a primary focus of the service is to develop a digital platform which will enable a series of digital solutions to be developed that will enable citizens and staff to do business with the Council in a modern digital way that primarily is of benefit to them.

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

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

In terms of pressures, the key challenge is to ensure efficient and effective service delivery to all front-line services, despite ever increasing demands being placed on Digital Transformation and Business Support from all services within the Council whilst concurrently planning and delivering the required budget savings for these services. This pressure will be significantly increased in 2019/20 due to the insourcing of Public Health Nursing and a range of other Services which will see a significant increase in staffing numbers and buildings which will require significant support from DT&BS 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	2018/19 estimates	Change	2019/20 estimates
Property				
DCC owned operational properties (including schools)	No.	527	(57)	470
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	671	(110)	561
County Farms Estate				
No of Farms	No.	68	(3)	65
Total acreage	Acres	9,590	(7)	9,583
IT Infrastructure				
Managed Desktops	No.	4,800	304	5,104
Networked Sites	No.	191	8	199
User accounts (DCC IT systems)	No.	5,457	(3)	5,454

Corporate Services

Organisational Development

2018/19 Adjusted Budget £'000	Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
715 Organisational Development	843	0	843	128
715	843	0	843	128

Analysis of changes:

£'000

Technical and Service Changes

Inflationary increases

18

18

Savings requirements

Removal of countywide project management review

110

110

Total

128

Service Commentary

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

Corporate Services

Treasurer's Services

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Other Services					
152	Bank Charges	152	0	152	0
82	External Audit	82	0	82	0
4,747	Unfunded Pensions	7,792	(3,115)	4,677	(70)
4,981		8,026	(3,115)	4,911	(70)
Treasurer's Services					
2,871	Accountancy Services	3,817	(1,031)	2,786	(85)
458	Corporate Management and Commissioning	1,531	(943)	588	130
1,450	Financial Systems, Processes and Compliance	5,874	(4,387)	1,487	37
1,376	Strategic Financial Planning	1,720	(280)	1,440	64
6,155		12,942	(6,641)	6,301	146
11,136		20,968	(9,756)	11,212	76

Analysis of changes:

£'000

Technical and Service Changes

Inflationary increases	268
	<u>268</u>

Savings requirements

Staffing reductions and turnover savings	(45)
Reduction in unfunded pension commitments	(147)
	<u>(192)</u>

Total	76
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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

TREASURER'S SERVICES

	Unit of Measurement	2018/19 estimates	Change	2019/20 estimates
Debtors raised p.a.	No.	82,000	13,000	95,000
Invoices paid p.a.	No.	360,000	29,000	389,000
Proportion paid using BACS	Percentage	99	1	100

Highways, Infrastructure Development and Waste

How the 2019/20 Budget has been built up

	2018/19 Adjusted Budget	Changes	2019/20 Outturn Budget
	£'000	£'000	£'000
Highways and Traffic Management	26,425	(746)	25,679
Infrastructure Development and Waste	27,739	1,129	28,868
Total	54,164	383	54,547

Reasons for changes in Revenue Budget	Change £' 000
Technical and Service Changes	
Inflation	2,759
Waste Services demographic and contract pressures	591
Other demographic, contract and service pressures (ash die back)	350
	<u>3,700</u>
Savings Requirements	
Efficiencies generated from contractual arrangements	(580)
Focus on preventative roads maintenance	(630)
Reduced street lighting energy and usage	(345)
Introduction of Street Works permitting scheme	(750)
Ongoing review of charges for Highways services	(500)
Savings from future contract renewals and negotiations	(443)
Impact of community self-help on Public Rights of Way	(50)
Share of corporate savings initiatives	(19)
	<u>(3,317)</u>
Total	383

Highways, Infrastructure Development and Waste

Analysis of Total Expenditure for 2019/20

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Highways and Traffic Management	28,443	(118)	(1,596)	(1,050)	25,679
Infrastructure Development and Waste	33,781	0	(4,119)	(794)	28,868
Total	62,224	(118)	(5,715)	(1,844)	54,547

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Highways and Traffic Management					
On Street Parking	6,924	(101)	(6,823)	0	0
Infrastructure Development and Waste					
Ecowaste4Food Project	37	(32)	0	(5)	0
Total	6,961	(133)	(6,823)	(5)	0
Grand total	69,185	(251)	(12,538)	(1,849)	54,547

Highways, Infrastructure Development and Waste

Highways and Traffic Management

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Highway Maintenance					
2,255	Cyclic Maintenance	2,569	(2)	2,567	312
3,972	Highway Lighting	4,134	(30)	4,104	132
608	Maintenance of Public Rights of Way	628	(36)	592	(16)
34	Other Highway Services	167	(133)	34	0
522	Retaining Walls and Bridges	519	(8)	511	(11)
3,402	Routine Maintenance	2,998	(30)	2,968	(434)
5,989	Safety Reaction	6,492	(93)	6,399	410
3,658	Winter and Emergencies	3,700	(60)	3,640	(18)
20,440		21,207	(392)	20,815	375
Highway Network Management					
5,981	Highway Network Management	7,021	(2,161)	4,860	(1,121)
4	Management and Support	215	(211)	4	0
5,985		7,236	(2,372)	4,864	(1,121)
26,425		28,443	(2,764)	25,679	(746)

Analysis of Changes:

£'000

Technical and Service changes

Inflation	1,778
Impact of Ash die back on Highways trees	350
	<u>2,128</u>

Savings Strategies

Focus on preventative roads maintenance	(630)
General efficiencies from term maintenance contract	(580)
Reduced street lighting energy and usage	(345)
Introduction of Street Works permitting scheme	(750)
Ongoing review of charges for Highways services	(500)
Impact of community self help on Public Rights of Way	(50)
Share of corporate savings initiatives	(19)
	<u>(2,874)</u>

Total **(746)**

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 since April 2017 and further efficiencies of £0.5 millions are anticipated during 2019/20.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2018/19 Estimate	Change	2019/20 Estimate
Size of Network	Km	12,915	0	12,915
Bridges	No.	3,312	9	3,321
Structural retaining walls (>1.35m height)	No.	1,653	(40)	1,613
Structural retaining walls (>1.35m height)	Km	127	(4)	123
Street lights total	No.	78,500	228	78,728
Street lights to have been converted to part night lighting	No.	50,095	518	50,613
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	(163)	10,174
Gullies emptied	No.	130,000	0	130,000
Total grass area cut	m ²	1 million	0	1 million
Surface dressed	Km	428	(100)	328
Resurfacing / reconstruction	Km	95	(29)	66

Highways, Infrastructure Development and Waste

Infrastructure Development and Waste Management

2018/19 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	2019/20 Outturn Budget £'000	2019/20 Net Changes £'000
Infrastructure Development					
196	Compliance Surveys - School Buildings	196	0	196	0
(372)	Engineering and Design Group	448	(779)	(331)	41
83	Schools Estates Work	83	0	83	0
(93)		727	(779)	(52)	41
Waste Disposal and Recycling					
10,457	Disposal of Statutory Waste	18,577	(3,954)	14,623	4,166
5,820	Landfill Tax on Disposal	2,367	0	2,367	(3,453)
323	Other Site Related Costs	325	(2)	323	0
5,951	Recycling Centres	6,143	(8)	6,135	184
4,386	Recycling Credits	4,522	0	4,522	136
716	Waste Management	786	(15)	771	55
179	Waste Minimisation Activities	334	(155)	179	0
27,832		33,054	(4,134)	28,920	1,088
27,739		33,781	(4,913)	28,868	1,129

Analysis of changes:

£'000

Technical and Service changes

Inflation	981
Waste tonnage growth	171
Change in market conditions for disposal contracts	420
	<u>1,572</u>

Savings Strategies

Procurement savings - future renewals and negotiations	(443)
	<u>(443)</u>

Total **1,129**

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.

Following completion of the Brynsworthy Waste Acceptance Facility in February 2019, 40,000 tonnes per annum of residual waste, which was previously being sent to landfill, will be processed at the Severnside Energy Recovery Centre, near Bristol. This will mean that all but a small proportion of Devon's residual household waste will now be diverted away from landfill.

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	2018/19 Estimate	Change	2019/20 Estimate
Municipal waste disposal to landfill	Tonnes	55,000	(40,000)	15,000
Municipal waste recycled (excl. soil & rubble)	Tonnes	216,000	0	216,000
Trade Waste - rechargeable income	Tonnes	14,000	0	14,000
Exeter Energy from Waste	Tonnes	60,000	0	60,000
Plymouth Energy from Waste	Tonnes (approx)	53,987	513	54,500
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 2019/20 – 2022/23

Introduction

This is a very challenging time for Local Government finance. 2019/20 is the final year of the current four-year settlement and the Government is expected to announce a new Comprehensive Spending Review in 2019 (CSR 2019) but has not yet indicated whether it will cover another four years or a lesser period of perhaps just one year. A single annual settlement would only deal with funding in the short term and do nothing to alleviate the level of uncertainty in local government funding.

In addition to CSR 2019 the Government is undertaking a fundamental review of Local Government funding, but the consultation undertaken so far is purely on principles and ideas. There is no information available on the level of funding authorities, including Devon will receive beyond 2019/20.

The reform and consultation cover two areas:

- Fair Funding Review: a review of needs and resources.
- Business Rates Retention Reform - moving from 50% to 75% and a full business rates reset

The Government intends to introduce the outcome of these reviews as part of the 2020/21 local government finance settlement. This is a very challenging agenda and introduces great uncertainty into financial planning for local authorities after 2019/20.

The Government intends to publish indicative figures from the Fair Funding Review later in 2019 for consultation, not leaving much time for the County Council to prepare its budget for 2020/21.

The Government is also planning to reset business rates growth - meaning that growth in local business rates will be redistributed nationally. It is expected that the basis of this reset will be published sometime in 2019.

On top of all these changes we of course also have a huge level of uncertainty around 'Brexit' and what it will mean nationally and locally.

This level of uncertainty makes financial planning over the medium term very difficult. The Medium Term Financial Strategy (MTFS) set out below is based on prudent estimates but will inevitably need updating, perhaps fundamentally, when the level of Government funding is known.

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 2017/18 to 2019/20. This did of course mean a significant ongoing reduction to our funding.

This four-year arrangement ends in 2019/20 and there are no indicative figures for future years.

Revenue Support Grant (RSG) was once the main Central Government funding to Local Government but for the County Council is reduced to almost nil in 2019/20. Some authorities were facing negative RSG but the concept of a negative RSG is viewed as very unfair both locally and nationally and Central Government has recently announced that it will eliminate negative RSG for 2019/20. However, it is still uncertain how negative RSG will be dealt with from 2020/21 and how RSG will be linked with future reforms to the business rates retention scheme and overall funding for local government. The MTFS assumes that the small residual RSG in 2019/20 of £537,000 will reduce to zero from 2020/21 and remain at that level.

The level of uncertainty around the level of future funding the Authority can expect means that the MTFS is based on assumptions. Since the start of austerity in 2010 the Authority's Core Funding has reduced by an average of 11% per annum. The MTFS assumes that this level of year on year reduction will continue from 2020/21 to 2022/23. It is impossible to gauge if this is too pessimistic or even too optimistic but seems reasonable and prudent in the current climate.

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 issued a consultation paper in December 2017 on relative needs and it has issued another consultation on 13th December 2018 on a number of outstanding issues that need to be settled. 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 13 December 2018 currently proposes a Foundation Formula with seven service blocks (first 5 would apply to the County Council needs assessment):

- Adult Social Care
- Children and Young People's Services
- Public Health
- Highways maintenance
- Legacy Capital Finance
- Fire and Rescue
- Flood Defence and Coastal Protection (lower tier only). The Government intends to incorporate the upper tier (e.g. County Council) element of this funding within the upper tier Foundation Formula.

The consultation paper includes some service specific cost drivers for these service blocks including age, health and deprivation for adult social care; and include road length and traffic flow for highways maintenance. The cost drivers for Children's services have yet to be determined and there is reference to a formula for public health.

The Foundation Formula would include all services not included in the service specific formulae and the consultation paper states that population is the most important predictor of costs.

Following the consultation in 2017 the Government is minded to incorporate in the relative need calculation - the Area Cost Adjustment (including):

- Rates cost adjustment including rents - the cost of using premises
- Labour cost adjustment - including accessibility and competition for suitably qualified staff
- Remoteness adjustment to account for size of local markets or isolation - such as journey times.

The Government intends to introduce the outcome of the review as part of the 2020/21 local government finance settlement, alongside increased business rates retention (75%), a full business rates baseline reset and the 2019 Spending Review. This is a very challenging agenda and introduces great uncertainty into financial planning for local authorities after 2019/20. The Government intends to publish indicative figures from the Fair Funding Review later in the autumn of 2019 for consultation, not leaving much time for the County Council to prepare its budget for 2020/21.

Business Rates Retention (BRR) Reform

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

In 2018/19 Devon was successful in its bid to be a 100% pilot - keeping all the business rates growth locally. This was for one year only and the bid to be a 75% pilot in 2019/20 was unsuccessful and Devon is reverting to the 50% system in 2019/20.

The main points of note within the consultation paper are as follows:

- There is a full reset planned for 2020/21, that will see the “growth” and business rates grants within the current business rates system up to 2019/20 transferred to Baseline Funding Level. Baseline Funding Level is the level of business rates income allocated to meet an authority’s need, as determined by the Local Government Finance Settlement. We don't know what this will mean for the County Council but the MTFs assumes that the redistribution from the reset will be equal to the business rates grants that we would have received under the current system (in effect neutral impact).
- Future resets could be on a quite different basis, seeing a proportion of the growth retained by local government (partial reset), with the determination of the NNDR Baseline possibly being on a phased basis (i.e. to avoid the timing of when growth occurs locally being a factor in the size of the growth retained locally)
- The safety net is to continue, at a level to be set at the end of the process.
- There will be no levy, but a growth threshold (not yet determined) above which all “growth” would be lost (the paper uses illustrative figures such as 150%, 200% and 250% of Baseline Need, so this is likely to be a factor that will affect only a very small number of authorities and would not affect Devon County Council)
- Tier splits – (share between districts and county councils) the government hopes that the sector can propose its own splits with the potential for a default position if no agreement can be agreed
- A modified version of the BRR system is proposed that would effectively nationalise appeals and establish a more objective method of setting the starting point for each authority (and therefore capture growth more accurately).

The change to business rates is another important reform to local government finance at the same time as a new spending review CSR19 is anticipated.

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 had remained at 2% for many years. However, for 2018/19 and 2019/20 the Government increased the limit to 3% which it will review 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 and 2019/20 only. From 2020/21 the MTFs assumes that the referendum limit will return to 2%.

The other important factor in relation to Council Tax is the growth in the Council Tax Base. In 2016/17 and 2017/18 the Base had increased each year by 1.7% and in 2018/19 the Base increased by 1.5%. However, the Base increased by only 1% in 2019/20. This downward trend for annual increases in the Base is in line with national projections. Consequently, the MTFs for 2020/21 onwards assumes an annual increase of 1% in the base (a reduction of 0.5% on previous assumptions in the MTFs).

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

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 County Council applied 3% in 2017/18 and 2% in 2018/19 leaving 1% available for 2019/20.

The MTFS assumes that there won't be any further Adult Social Care precept increases in future years.

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 NHS Clinical Commissioning Group (CCG) in Devon. The Government has set out detailed improvements it expects to see including targets in relation to Delayed Transfers of Care (DToC). Indications are that if targets are not met then grants could be reduced or direction imposed on how they are to be spent. The table below sets out the value of these two grants:

	2017/18	2018/19	2019/20	*2020/21	*2021/22	*2022/23
	£m	£m	£m	£m	£m	£m
Original Improved Better Care Fund	0.2	10.2	19.7	19.7	19.7	19.7
Additional Improved Better Care Fund	15.2	10.2	5.0	0	0	0
Total	15.4	20.4	24.7	19.7	19.7	19.7

No announcement has yet been made on the level of grant the authority can expect in beyond 2019/20; the MTFS assumes the grant ongoing at £19.7 millions, but this is far from certain.

Schools Funding

In August 2017, the government finalised the introduction of the National Funding Formula (NFF) for schools. In 2019/20 the local authority will continue to determine the final allocation for the school through a local formula and with the recognition by the DfE that due to significant progress towards the NFF that this will continue in 2020/21.

Devon remains a low funded authority and are grateful for the change in the growth funding methodology that has seen a further £1.2 millions in addition to the £5.7 millions within the NFF.

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

The Early Years national funding formula allocates funding to the local authority for the childcare entitlement for 2, 3 and 4 year olds. 2019/20 sees the second full year for the additional 15-hour entitlement (30 hour childcare policy).

High Needs has seen additional funding from the Secretary of State of £1.5 millions in 2019/20, however it continues to be under considerable budgetary pressure. Management actions and further savings are being considered to reduce the burden for 2019/20. However, due to the high risk of the High Needs budget overspending again in 2019/20 £3.5 millions has been set aside within Earmarked Reserves. It is important that the Council manages to contain and fund High Needs expenditure as from 2021/22 planned changes in national funding are expected to mean this will be the responsibility of the Council.

Public Health

The Public Health grant remains ring fenced for 2019/20. The value of the grant for 2019/20 is £26.786 millions which represents a reduction of £726,000 (2.6%) on the grant received in 2018/19.

It has long been expected that the ring fence would be removed from this grant but recent consultation on Business Rate reform indicates that Central Government is considering removing the grant and replacing it with Business Rates as part of the move to 75% Rate Retention.

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 90 details the pressures and savings within the 2019/20 budget. We will not replicate them here but will pick up on some of the key headlines that impact not only 2019/20 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 85 projected to increase by 2.4% next year and 16% over the next 5 years.

There is continuing growth in demand for disability services, partly driven by children in care transitioning to adulthood. Each year around 180 young people come of age and require ongoing support as adults, with required levels of support varying enormously.

There are 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 in April 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 £5.6 millions to the cost of adult social care services in 2019/20 alone. 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.

The number of looked after children has risen in the latter part of 2018/19 but still compares favourably against national trends. Costs however have escalated substantially, particularly for residential placements.

The Dedicated Schools Grant is facing challenges as it is proving more difficult to contain the costs of children and young adults with special educational needs. The deliverability of a balanced budget is to a large extent reliant on successfully keeping children in mainstream schools; increasing the capacity in our maintained special schools and reducing the costs through better value for money in the independent sector.

School Transport continues to be challenging with increased budget pressures for 2019/20. This is predominantly due to a fall in market supply for Home to School Transport, this means we have reduced competition resulting in increases in contract rates on re-tender where operators have given notice.

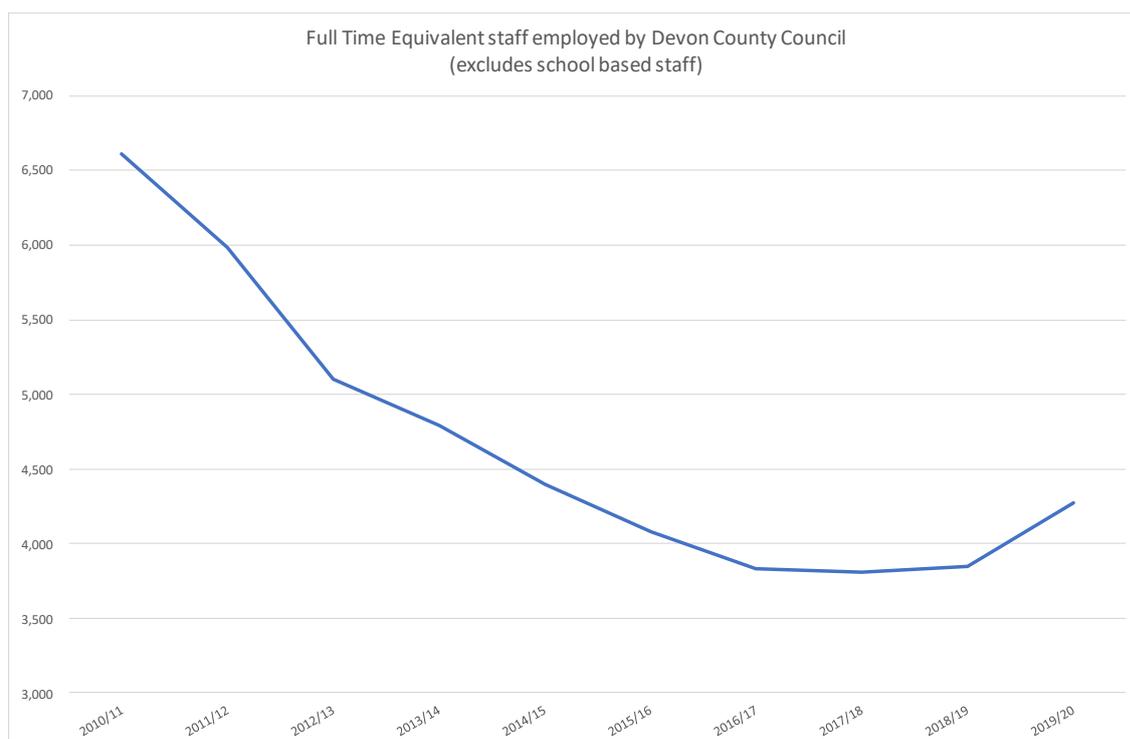
In addition to these pressures there is also the end of the public sector pay cap and the need for investment in the authority's ICT infrastructure to keep pace with the digital delivery agenda.

The following table sets out the savings required to balance the budgets in 2019/20 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.

The savings of £13.398 millions identified in 2019/20 take the total level of savings for the Authority since 2010 to just under £265 millions. Further savings from 2020/21 are needed to address the pressures on services and the uncertainties in future funding.

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Savings Required	(13,398)	(28,546)	(23,698)	(23,001)
Savings Identified	(13,398)	(2,155)	(1,464)	(100)
Savings to be Found	0	(26,391)	(22,234)	(22,901)

Since 2010 there has been a reduction in the numbers of full time equivalent staff (FTE) employed by the County Council (excluding schools based staff) from 6,608 in 2010/11 to 3,809 in 2017/18 with a slight increase in 2018/19. In 2019/20 this trend has reversed as shown in the following chart.



There has been an overall increase of 431 FTE staff in 2019/20, as detailed in Key Table 7 on page 15 as a result of insourcing of services, particularly in Children's Social Care. It is too early to say if this is the start of a trend which sees a shift from out-sourcing to in-sourcing or just a pragmatic response to market changes in specific areas.

Doing What Matters for the People of Devon

The Authority wants to help build a Devon where we all live our lives well, and wants to understand what life really feels like for the people of Devon. Our transformation approach 'Doing What Matters' is based on understanding what people need, and designing our services to meet that need, identifying and removing any barriers that get in the way. It is about designing good public services now and for the future.

The transformation approach is focussed on challenging the way we think, testing our assumptions and reviewing 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 question the functionalisation and specialisation of its work and help us to look across teams and functions and see the work that Devon County Council delivers from a citizen's perspective.

Leaders need to be connected to the experiences of citizens; and understand what it feels like for people in Devon right now. Only when we have that understanding and can we be clear on what we need to do to help people live their lives well and intervene in a systemic way to secure better outcomes at lower cost.

As part of this work, interventions are underway across the organisation and with partners, and a new leadership development programme is under development.

Better Care Fund & Pooled Budgets

The Better Care Fund was first introduced in April 2015 and enables the local authority and Clinical Commissioning Group (CCG) to pool budgets in support of an integrated spending plan that focuses on people-centred solutions and removes organisational boundaries and siloed funding streams. It is the most significant financial vehicle that national government uses to promote the integration of health and social care as part of its national policy agenda. The Devon pooled budget currently amounts to £93.2 millions and is hosted by the Council. The Council along with its CCG partner is committed to further integration of budgets where this achieves better outcomes for its residents and has the scope to deliver efficiency savings for the local health and social care economy. In the spring budget 2017 the government announced 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 CCG;
- The CCG financial contribution to social care must be agreed. In Devon this is currently £13.1 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. We need to comply with the national conditions and meet ongoing performance targets as part of national monitoring of performance.

A piece of work has just been completed which has looked at how Devon County Council could work more closely with the CCG and pool resources so that front line staff are better supported to provide a seamless service to clients. The report's recommendations are currently being assessed by both the Council and the CCG.

Moving towards a Digital Devon

Devon is on the journey to becoming a digital Council.

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 e.g. 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 continued 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 continues to be further reviewed and informed by the Council and its partners.

The Council's strategy and related plans for implementation reflect its ambition for collaboration on key themes and priorities. The Council will prioritise activity around more open and innovative funding streams, including crowdfunding; to encourage and highlight local creativity, collaboration and opportunities to amplify funds using wider sources of funding from the public, public sector and business.

The council continues to see strong partnerships as the preferred and most effective route to tackling the key and emerging 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 environment that have each benefitted from a shared perspective and approach.

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 has agreed a Productivity Strategy and Delivery Plan for the area that has replaced the Single Economic Plan for Devon and Somerset. The work of the Joint Committee was recognised by Government and it has asked the Heart of the South West (HoSW) Local Enterprise Partnership (LEP), working with the Joint Committee, to work with it to develop an Industrial Strategy for the area. This will enable funding to be secured from Government.

The Heart of the South West Productivity Strategy sets out the collective vision to boost the economic potential of the area and to delivery 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.

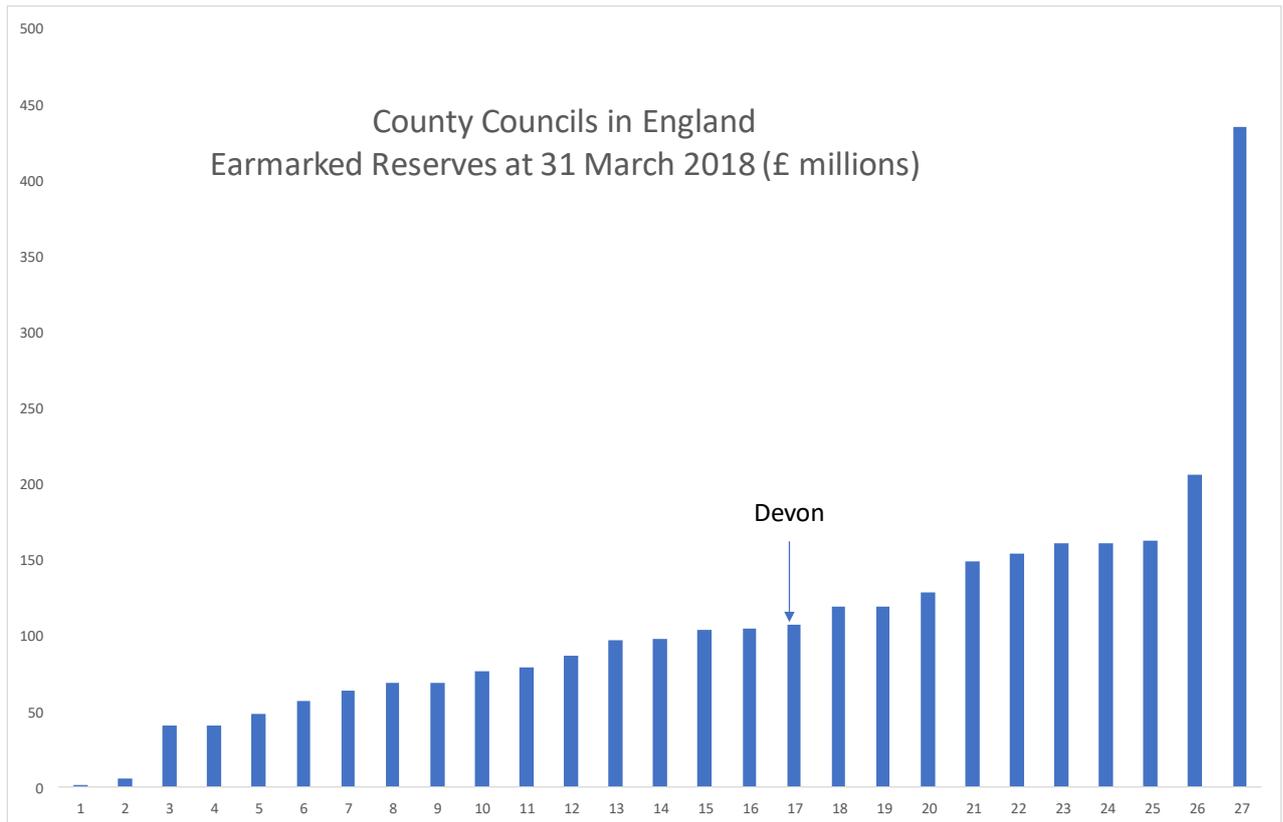
The authority holds three types of Reserves:

- 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 now around average compared with other County Councils. At 31 March 2018 Devon's earmarked reserves were 17th lowest out of 27 County Councils. This represents a steady improvement on 2017 and 2016 when Devon was 12th lowest and 7th lowest respectively.

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



In 2019/20 the Budget Management Reserve is increased by £3 millions. This is to address the financial risks around the projected increase in staff numbers.

In 2019/20 £1.416 millions of receipts from on-street parking will be used to support expenditure in Highways.

The Service Transformation reserve is used each year to support restructuring and transformation costs.

The reserve is maintained through a contribution from the revenue budget of £5 millions for 2019/20 and the Medium Term Financial Strategy assumes this annual level of contribution through to 2022/23.

Within the DSG the significant cost pressure continues to relate 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.

Councils have raised with the Department of Education the problem that this causes linked with the rising costs of special educational needs. It is uncertain that any additional funding will be forthcoming from Government. On this basis a reserve of £3.5

millions is being created in 2019/20 to cover the potential financial impact over the next 2 years.

The following table below shows the anticipated level of earmarked reserves in future years:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Projected Year End Balance	82,824	89,991	90,745	92,695	94,695

The detail make-up of these reserves is within the Reserves and Balances section on pages 105 to 108

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.

Capital Strategy & Borrowing

The Capital Strategy sets out the policy framework for the development, management and monitoring of capital investment this is shown on pages 19 to 23.

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 24 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 24 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 £38.3 millions in 2019/20. Unlike many other Authorities there is no intention to borrow to invest in commercial operations.

As set out in the Treasury Management Strategy the Council has changed its Minimum Revenue Provision Policy which has contributed to the lower Capital Financing Charge. The Council will continue its commitment to forward fund schemes in advance of the receipt of section 106 and Community Infrastructure Levy (CIL) monies, only where internal cash resources allow.

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

sources will need to be identified to finance required capital spending at the approved level, or schemes reprioritised.

Opportunities to reduce external debt will be monitored. Under their current policy the Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. With current low rates of interest this has represented a significant cost which would impair the benefit of repayment. Therefore, it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise and cancel out the repayment premiums. Current interest rate forecasts suggest that it is extremely unlikely that gilt yields will rise sufficiently to cancel out the premiums in the medium term.

The overall level of debt for capital financing and the impact on the revenue account is shown on pages 24 to 38.

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 123 to 136.

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.

There is a significant level of uncertainty around the Council's sources of funding after 2019/20, including a new Comprehensive Spending Review (how much Government funding will be available to local government), the fairer funding review (how that Government funding will be shared between different types of authority) and changes to the share of business rates retained locally. There is also the uncertainty that Brexit will

have on the wider economy and public sector funding. For this reason the Council's earmarked reserves are forecast to increase to just under £90 millions by March 2020. This level of reserves is broadly in line with other County Councils.

Conclusion

2019/20 is the final year of a four year funding settlement. This means that the Council has no idea how much funding it will receive from Government from 2020/21 onwards. This could apply not only to core government funding but also to grants such as those linked to the Better Care Fund.

In December 2015 when the current four year funding allocations were announced, many councils found that they had to deal with a large budget gap very late in the budget process as the settlement was far less than they had anticipated. There have been some indications that this could happen again for 2020/21 and that the Council may have to deal with a late, low settlement. Brexit adds greatly to the uncertainty. In the last few years the Council has tried to build up its reserves so that they are sufficient to provide a buffer against this lack of certainty. Despite this the MTFs will need to be revisited and revised, perhaps significantly, next year when, hopefully, there is greater clarity.

County Fund Balance and Earmarked Reserves 2019/20

Introduction

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

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. 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 2019 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 2019/20. 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 2018/19 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 123 to 136. 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
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	
<u>Adult Care and Health</u>					
Adult Care Operations and Health	6,156	6,840	6,840	6,840	
Adult Commissioning and Health	692	692	830	830	
<u>Children's Services</u>					
Children's Social Care	3,808	3,808	4,101	4,101	
Education and Learning - General Fund	1,282	1,282	1,282	1,282	
<u>Community, Public Health, Environment and Prosperity</u>					
Communities and Other Services	264	264	132	132	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	153	153	153	153	
Planning Transportation & Environment	260	260	260	260	
Public Health	278	278	278	278	
<u>Corporate Services</u>					
Chief Exec, HR, Legal and Communications	214	214	214	214	
Cross Council Savings Strategies	388	388	388	388	
Digital Transformation and Business Support	311	311	311	311	
Organisational Development	25	25	25	25	
Treasurer's Services	210	210	210	210	
<u>Highways, Infrastructure Development and Waste</u>					
Infrastructure Development & Waste Management	338	338	338	338	
Highways and Traffic Management	284	284	284	284	
Total	14,663	15,347	15,646	15,646	

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, other than the Transformation Reserve, 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.

In 2019/20 the Budget Management Reserve will be increased by £3 millions. This is to address the financial risks around the projected increase in staff numbers.

In 2019/20 £1.416 millions of receipts from on-street parking will be used to support expenditure in Highways.

The Service Transformation reserve is used each year to support restructuring and transformation costs. The reserve is maintained through contributions from the revenue budget of £5 millions for 2019/20 and the Medium Term Financial Strategy assumes this annual level of contribution through to 2022/23.

Within the DSG the significant cost pressure continues to relate 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.

Councils have raised with the Department of Education the problem that this causes linked with the rising costs of special educational needs. It is uncertain that any additional funding will be forthcoming from Government. On this basis a reserve of £3.5 millions is being created in 2019/20 to cover the potential financial impact over the next 2 years.

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.

There is a significant level of uncertainty around the Council's sources of funding after 2019/20, including a new Comprehensive Spending Review (how much Government

funding will be available to local government), the fairer funding review (how that Government funding will be shared between different types of authority) and changes to the share of business rates retained locally. There is also the uncertainty that Brexit will have on the wider economy and public sector funding. For these reasons the Council's earmarked reserves are forecast to increase to just under £90 millions by March 2020. This level of reserves is broadly in line with other county councils.

Table 2 – Earmarked Reserves

Purpose & Description of Reserve	Estimated balance as at				
	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000	£'000
Special Purpose Reserves					
Affordable Housing	112	52			
On Street Parking	2,999	1,583	489	489	489
Public Health	385	385	285	235	235
Subtotal: Special Purpose Reserves	3,496	2,020	774	724	724
Specific Contingency Reserves					
Budget Management	30,441	33,441	33,441	33,441	33,441
Business Rate Risk Management	11,170	11,170	11,170	11,170	11,170
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
SEND High Needs Reserve		3,500	3,500	3,500	3,500
Service Transformation	10,301	12,444	14,444	16,444	18,444
Subtotal: Specific Contingency Reserve	79,328	87,971	89,971	91,971	93,971
Total Earmarked Revenue Reserves	82,824	89,991	90,745	92,695	94,695

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

Treasury Management Strategy 2019/20 – 2021/22 and Prudential Indicators 2019/20 - 2023/24

Introduction

In February 2018, following the publication of a revised Code of Practice for Treasury Management by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Council adopted a revised Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). No changes are proposed to these policies for 2019/20.

The policy requires the Council to consider a treasury strategy report, setting out the strategy and plans to be followed in the coming year, as part of the budget process. The key changes to the strategy in comparison with 2018/19 are changes to the policy for Minimum Revenue Provision (MRP) for the repayment of debt, and the addition of short dated bond funds and multi-asset income funds to the Strategy.

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

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

The prudential indicators, treasury management strategy and the annual investment strategy have been reviewed in line with the Capital Programme 2019/20 – 2023/24, and the Capital Strategy.

This Treasury Management Strategy document sets out:

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

Treasury Management and Investment Strategy Overview

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

Since 2009 the Council has followed a policy of containing the capital programme, taking out no new external borrowing and repaying debt whenever this can be done without incurring a financial penalty. Capital expenditure new starts have been limited to those that were financed from sources other than external borrowing. To meet the need for capital expenditure, the highest priority schemes across the Authority are funded from corporate capital receipts over the capital programme timescale.

The ability of the Council to repay further debt will depend on the cost of repayment and the availability of cash to fund the repayment. Under their current policy the Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. 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.

With the Council continuing to face significant budget pressures, officers have been looking at whether the Treasury Management Strategy can be enhanced to provide the opportunity to gain higher returns on the investment of the Council's cash balances. This also takes into account that the Council now has a higher level of cash balances than it has had over the last 5 years. As a result, the proposed strategy includes the ability for the Council to invest in short-dated bond funds and multi-asset income funds. Short dated bond funds will invest in high quality short dated government or corporate bonds. Multi-asset income funds will invest in a wider range of investments designed to produce an income yield. In both cases, the funds concerned will invest in tradable instruments where the capital value of the investment will fluctuate.

Higher yielding investments will inevitably mean that there is an increased risk of loss of capital. However, given that cash balances are at a higher level than previously forecast, it may make sense to invest a small proportion of the Council's cash in higher yielding investments. In addition, Parliament has provided a statutory override, such that any capital gains or losses will not need to be accounted for in the general fund until the investments are realised, or until March 2023, when the statutory override ends. These would need to be seen as longer term investments, and by looking at the longer term the risk of capital loss would be mitigated.

Before any investment is made in either short-dated bond funds or multi-asset income funds a rigorous process will be undertaken to identify which funds would best meet the Council's requirements. Any allocations would only then be made in full consultation with the Cabinet Member for Resources Management. Officers are also investigating other ways to make savings by better use of the Council's cash balances, and will report back on any further initiatives during the year.

Following the Bank of England's decision to increase the base rate to 0.75% in November, the target return for 2019/20 for deposits with banks and building societies has been increased from 0.55% to 0.75% as banks and building societies have started to increase their rates. The target rate for the CCLA Property Fund will remain at 4.50%. Should investments be agreed in the other non-specified investments identified in the strategy then the targeted yield from those funds would be 2.00% for short dated bond funds and 3.50% for multi-asset income funds.

Minimum Revenue Provision

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

In 2015/16 the Authority changed from the 4% method of calculating MRP to the 'Asset Life: Equal Instalment method' which delivered significant revenue savings. MRP therefore, is currently calculated by dividing the existing debt over the estimated life of the asset on a straight-line basis. This means that each financial year the charge to the Council for existing debt is the same and does not change

The Authority has the option, under existing regulations, to apply the 'Asset Life: Annuity Method' instead of the equal instalment or 'straight-line' method. The annuity method reflects the fact that an assets deterioration is slower in the early years of its life and accelerates towards the latter years.

It is arguably the case that the annuity method provides a fairer charge than equal instalments, as it considers the time value of money; whereby paying £100 in 10 years' time is less of a burden than paying £100 today.

In order to calculate MRP under the Annuity method, an appropriate annuity rate needs to be selected. The percentage chosen corresponds with the Monetary Policy Committee's inflation target rate of 2.1%. MRP will increase by this percentage each year. By implementing this revised policy in 2018/19 the Authority will deliver revenue savings of £3.925 millions, and a further £3.803 millions in 2019/20.

Switching from the Asset Life to Annuity method will have no impact on the total amount of debt set aside for the repayment of debt. MRP will still cover all existing debt repayments, including internal borrowing commitments.

Overall the total MRP to be set aside, and total debt repaid, will not alter. The revision in policy is a re-phasing; something akin to debt rescheduling.

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

All supported capital expenditure and unsupported borrowing up to 1st April 2008 will be charged over the life of the assets, calculated using the Annuity method.

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

We will not provide for MRP in circumstances where the relevant expenditure is intended to be financed from external contingent income, where it has not yet been received but where we conclude that it is more probable than not that the income will be collected, for example when forward funding S106 contributions.

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

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

Capital Expenditure

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

Table 1 – Capital Expenditure

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Total Capital programme	110,900	103,225	101,643	97,145	68,531
Funded by:					
Gross borrowing	6,112	11,401	6,126	3,179	1,500
Other capital resources	104,788	91,824	95,517	93,967	67,031
Total capital programme funding	110,900	103,225	101,643	97,146	68,531
Total capital expenditure	110,900	103,225	101,643	97,146	68,531

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 2019/20 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Underlying borrowing requirement	613,096	619,209	622,375	623,862	652,166
Other long-term liabilities	128,637	123,888	118,485	112,918	106,854
Capital financing requirement	741,732	743,097	740,860	736,780	759,020

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 2019/20 – 2023/24.

Table 3 – Authorised Limits

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Authorised limits for borrowing	648,096	654,209	657,375	658,862	687,166
Authorised limit for other long-term liabilities	128,637	123,888	118,485	112,918	106,854
Authorised limit for external debt	776,732	778,097	775,859	771,780	794,020

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 2019/20 and following years.

Table 4 - Operational Limits

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Operational limits for borrowing	623,096	629,209	632,375	633,862	662,166
Operational limit for other long-term liabilities	128,637	123,888	118,485	112,918	106,854
Operational limit for external debt	751,732	753,097	750,860	746,780	769,020

The forecast opening balance for External Borrowing at 1 April 2019 is £507.85 million and remains unchanged at 31 March 2020.

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

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Capital financing requirement	741,732	743,097	740,860	736,780	759,020
Gross borrowing and other long-term liabilities	636,487	631,738	626,335	620,769	614,706
Under/ (over) borrowing	105,246	111,360	114,525	116,011	144,314

The debt management strategy and borrowing limits for the period 2019/20 to 2023/24 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 2019/20 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

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Minimum revenue provision	12,685	12,692	12,547	12,754	13,072
Interest payable	26,017	26,017	26,017	26,017	26,017
Recharges and other adjustments	(325)	(478)	(625)	(799)	(1,027)
Interest receivable	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Capital financing cost (excluding other long-term liabilities)	36,777	36,631	36,339	36,372	36,462
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	52,139	51,256	51,240	51,008	51,151
Estimated net revenue stream	509,988	539,870	538,435	541,775	541,775
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	7.21%	6.79%	6.75%	6.71%	6.73%
Ratio of financing costs (including other long-term liabilities) to net revenue stream	10.22%	9.49%	9.52%	9.41%	9.44%

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 7.

Table 7 – Treasury Management Prudential Indicators

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

The limits have been set taking into account the CIPFA Code of Practice which requires that the maturity date for LOBO (Lender Option Borrower Option) loans is assumed to be the next call date, rather than the total term of the loan. This will apply to the Council's Money Market loans.

Monitoring the Indicators

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

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

Analysis of Long Term Debt

The following Table 8 shows the County Council's fixed and variable rate debt as at 31 March 2018 and 31 December 2018 (current).

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

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

Table 8 – Analysis of Long Term Debt

	Actual 31.03.18 £'m	Interest Rate %	Current 31.12.18 £'m	Interest Rate %
Fixed Rate Debt				
PWLB	436.35	4.99	436.35	4.99
Money Market	71.50	5.83	71.50	5.83
Variable Debt				
PWLB	0.00		0.00	
Money Market	0.00		0.00	
Total External Borrowing	507.85	5.11	507.85	5.11

Schedule of Investments

The following schedule shows the County Council's fixed and variable rate investments as at 31 March 2018 and as at 31 December 2018 (current).

Table 9 – Schedule of Investments

		Actual 31.03.18 *	Interest Rate	Current 31.12.18 *	Interest Rate
	Maturing in:	£'m	%	£'m	%
Bank, Building Society and MMF Deposits					
Fixed Rates					
Term Deposits	< 365 days	107.50	0.73	137.50	0.96
	365 days & >	10.00	0.75	10.00	1.00
Callable Deposits					
Variable Rate					
Call Accounts		27.02	0.40	0.00	
Notice Accounts		5.00	1.05	12.50	1.01
Money Market Funds (MMFs)		30.00	0.46	22.45	0.75
Property Fund		10.00	4.42	10.00	4.25
All Investments		189.52	0.84	192.45	1.06

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 2019 will be lower than those at the start of the year.

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

The rates on offer increased marginally during 2018/19, following the Bank of England's decision to increase the base rate up to 0.75%, but continue to be low in comparison to the past, and the returns on the County Council's cash investments are forecast to remain at low levels for the foreseeable future; however, the Treasury Management Strategy will continue to ensure a prudent and secure approach.

Prospects for Interest Rates

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

* The figures as at 31 March 2018 and 31 December 2018 include respectively around £12.8m and £11.6m 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.

Following a flow of generally positive economic statistics after the quarter ended 30 June 2018, the Bank of England's Monetary Policy Committee (MPC) came to a decision on 2 August 2018 to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures.

Link Asset Services are forecasting that the overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently, with the market pricing in the next rise in base rate, up to 1.0% for around May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022. These forecasts are summarised in the following Table 10.

Table 10 – Base Rate Forecasts and PWLB Rates

	Dec (act) 2018	March 2019	June 2019	Sep 2019	Dec 2019	March 2020
Base Rate Forecasts						
Link Asset Services	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%
Capital Economics	0.75%	0.75%	1.00%	1.25%	1.50%	1.50%

	Dec (act) 2018	March 2019	June 2019	Sep 2019	Dec 2019	March 2020
PWLB Rates						
Link Asset Services forecast						
10 Year	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%
25 Year	2.85%	2.90%	3.00%	3.10%	3.10%	3.20%
50 Year	2.58%	2.70%	2.80%	2.90%	2.90%	3.00%

However, these forecasts are based on a smooth transition for Brexit. The economic outlook will depend significantly on the nature of EU withdrawal, in particular the form of new trading arrangements, the smoothness of the transition to them and the responses of households, businesses and financial markets. The Bank of England has stated that its response to Brexit could be to shift policy in either direction. It could cut rates if it sees a disorderly Brexit damaging economic growth, but might be forced to hike rates if there is a run on the pound.

As a result, economic and interest rate forecasting remains difficult. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

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 2019/20 – 2021/22

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

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

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

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

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

The loans in the Council's current debt portfolio all have maturity dates beyond 2027. Under their current policy the Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB imposes premium penalties for early repayment. With current low rates of interest this would be a significant cost which would impair the benefit of repayment. Therefore, it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise and cancel out the repayment premiums. 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 2019 the Council will have cash balances of around £160 millions. A prudent level of balances is required to meet cashflow. In addition, the cash balances will in part be made up of earmarked reserves and will therefore be committed to meeting Council expenditure. However, the level of cash balances would enable early repayments to be considered, should interest rates rise sufficiently to cancel out the premiums.

If short-term borrowing is required to aid cashflow, this will be targeted at an average rate of 0.6%.

Investment Strategy 2019/20 – 2021/22

The County Council continues to adopt a very prudent approach to its investments. The majority of investments will be "Specified Investments" as defined by the Ministry of Housing, Communities and Local Government (MHCLG), For such investments, only a small number of selected UK banks and building societies, money market funds and Non-Eurozone overseas banks in highly rated countries are being used, subject to strict criteria and the prudent management of deposits with them. The lending policy is kept under constant review with reference to strict criteria for inclusion in the counterparty list. In addition, non-specified investments are included in the strategy, including the potential to invest in property funds, short-dated bond funds and multi-asset income funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

Specified Investments

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

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

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

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

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

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

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

Money market funds must have an 'AAA' rating to be included on the counterparty list. They may be CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value) or VNAV (Variable Net Asset Value). Yields and prices will be monitored on a daily basis to ensure that there is minimal risk of loss of capital.

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

The 'Approved List of Counterparties' specifies individual institutions and is formally reviewed at least monthly. Notification of credit rating downgrades (or other market

intelligence) is acted upon immediately, resulting in any further lending being suspended.

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

Table 12 - Specified Investments Counterparty Approved List Criteria

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Building Societies				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
Non-Eurozone Overseas Banks				
Sovereign Rating of	AAA	Aaa	AAA	
and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies				
Central Government				
- Debt Management Office				Unlimited
Local Government				
- County Councils				£10 million
- Metropolitan Authorities				£10 million
- London Boroughs				£10 million
- English Unitaries				£10 million
- Scottish Authorities				£10 million
- English Districts				£5 million
- Welsh Authorities				£5 million
Fire & Police Authorities				£5 million
Money Market Funds	AAA	Aaa	AAA	£30 million

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

Interest Rate Targets

For the 2019/20 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.75% p.a. The target rate takes into account the November 2018 increase in the Bank of England base rate, which has resulted in increased rates being available compared to those available before the increase.

The yield from investment in the CCLA Property Fund is assumed to be 4.50%. Further analysis will be required to identify short-dated bond funds and multi-asset income funds that would meet the Council's requirements. The targeted yield from those funds would

be 2.00% for short dated bond funds and 3.50% for multi-asset income funds. Currently these are not factored into the budget for investment income.

The targets we have set for 2019/20 are considered to be achievable.

Given the degree of uncertainty about future economic prospects and the future level of interest rates, MTFS forecasts have been based on the average rates for lending to banks and building societies continuing to be 0.75% for 2020/21 and 2021/22. 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.

The Authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd, valued at £247,000 and an equity investment in Exeter Science Park Ltd to £1.881 million. At 31 March 2018 these shares were recognised in the balance sheet at £2.128 million. However, these are not held as financial investments, but for the purposes of providing operational services, including economic regeneration.

Performance Targets

The primary targets of the Treasury Management Strategy are to minimise interest payments and maximise interest receipts over the long term whilst achieving annual budgets, without taking undue risk. Where there are comparative statistics available for individual aspects of the Strategy these will be used to monitor performance. The Council will continue to review best practice at other authorities and work with its treasury advisors (Link Asset Services) to assess performance.

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 2019/20 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action include:-

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

Risk Assessment

Adult Care and Health

Service	Budget 2019/20 £'000	Risk and Impact	Mitigation
Demand pressure (across all service types)	£176,388 (net)	<p>Demand for the number of packages of care can be volatile in a number of areas. Learning Disability services (including autism) have seen significant growth in activity over recent years and continues to be under pressure going forward, particularly as children in care transition to adulthood.</p> <p>Devon also has an above average elderly population when compared nationally, which is forecasted to continue increasing.</p> <p>If our assumptions of demand are not correct the financial risk will vary with average packages ranging from £10,000 per year for personal care to £51,000 per working age residential placement. The most expensive package is currently £245,000 per year.</p>	<p>The 2019/20 budget has been planned on the basis of the most recent volume data available at the time of preparation, with estimates made for anticipated growth in demand for services next year, and the effects of planned savings strategies.</p> <p>A core principle is to promote independence of individuals where ever possible by supporting people to live well in their own homes and to prevent reliance on ongoing care wherever possible by earlier intervention and reablement, including reassessing the proportion of care spent on short term recovery services to target resources most effectively.</p>
Unit cost pressure (across all service types)	£176,388 (net)	<p>There are price pressures on all commissioned services arising from inflationary factors (National Living Wage for example) and labour supply issues. Parts of Devon are at full employment and the care sector is competing for labour with other industry sectors. An average £10 per week change in residential placement costs (current average weekly rate paid is £703) will increase costs by circa £1.4 millions and a £1 per hour increase in personal care rates (current average rate paid is £18.64) will cost £1.8 millions.</p>	<p>The budget is based on actual unit costs as at the time of budget preparation, and is inflated for forecast prices changes.</p> <p>Detailed unit costs are monitored on a monthly basis by managers. There is an escalation process in place for approval of high cost packages.</p> <p>Lobbying of central government to provide for sustainable funding for social care in the long awaited Green Paper.</p>
Market sufficiency	£176,388 (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 a number of areas of the county.</p> <p>As a result, Personal Care commissioned volumes are contained. This has a current favourable financial effect, but an adverse effect in care home placement budgets and</p>	<p>Commissioners monitor the market to identify areas of poor sufficiency so that operational plans can be prepared including interventions if necessary.</p> <p>Focussed work with providers facing most difficulties to improve their approach, learning from the best practice of others.</p> <p>Use of iBCF funding to incentivise care worker recruitment and</p>

		potentially NHS system budgets. If sufficiency can be restored, there is an estimated financial risk to social care budgets of £1 million.	retention, with a focus on the areas where provision is most challenged.
Social care workforce	£33,510 (internal workforce only)	<p>This affects both the internal DCC social care workforce, and the far larger care workforce employed by our commissioned providers in Devon.</p> <p>Internally, recruitment to roles which require professional qualifications is challenging. This is common across health and care professions both nationally and in the south west (for social work, OT, AMHP and team manager roles). In some instances, pay and conditions in DCC do not compare well with competitors.</p> <p>Investment in workforce capacity and skill-mix is insufficient to meet the (changing) nature and intensity of demand. Most particularly complex work in areas of autism, disability, Mental Capacity, DoLS, dementia and transition. There is a significant risk that failure to plan ahead for substantive capacity will de-stabilise delivery of functions.</p> <p>Externally, commissioned providers face recruitment and retention challenges in respect of care workers. There is a specific challenge in the recruitment of nurses affecting the nursing home sector.</p> <p>External workforce issues risk impacting on unit costs and market sufficiency as supply and costs are interlinked.</p>	<p>Success in recent years has relied upon direct support for qualifications, and recruiting and supporting newly qualified professional staff. This requires forward planning, sustained investment and action to meet requirements at least three years ahead.</p> <p>Workforce growth in recent years has been driven by short-term investment and targeted (invest to save) initiatives.</p> <p>If this risk were to manifest, to avoid destabilisation, the financial risk could be in the range £1.1 to £1.9 million</p> <p>The Council has led the 'Proud to Care' campaign now working regionally to promote health and care as a positive career and develop career pathways across the sector.</p> <p>However risks have increased since 12 months ago, exacerbated by a loss in attractiveness of working in the UK due to depreciation in the value of Sterling and ongoing concerns over the Brexit process.</p>
Children transitioning to Adults	£96,020	On average, 181 young people come of age and require ongoing support as adults. Required levels of support vary enormously. This makes financial planning difficult. Furthermore, in recent years there has been a trend of increasing volumes of very high cost children's care packages and therefore there is a risk that demand and cost from transitions into adult services outstrips the budget available.	A dedicated multi-disciplinary team has been created to work across Children and Adults services in order to improve information sharing and to work towards transitions planning at an early stage.
Autism demand	£3,711	Autism diagnosis rates and demand for care services has increased sharply in	A new autism team was set up last year, specialising in planning and assigning the most appropriate

		recent years and there is a risk that these trends continue.	packages of care to people who need them, and ensuring that the impacts of new cases are phased in a controlled manner over the course of the year.
Sleep in nights National Living Wage	£43,238	The Court of Appeal ruled in 2018 that National Living Wage did not apply. The case is due to be heard in the Supreme Court in 2019 with judgment expected in the Autumn, which could reverse the Court of Appeal's judgment and trigger back pay claims against providers, threatening market stability. Adverse impacts in the provider market could add cost to commissioning budgets in the region of up to £1million.	Historic purchasing of sleep in based services has been analysed and risk exposure estimated. Commissioners liaise closely with providers to find ways to manage risk and provider failure. Lobbying of government that retrospective pay awards are funded.
Savings Strategies	£3,866	Delivering savings continues to be challenging and has a variety of risks associated with delivery. The savings this year are primarily strategies to support people with disabilities, and people with Mental Health needs to live more independently, over time moving from institutional based settings to being supported to live their lives as independently as possible in a community.	Savings plans have been developed as projects, with lead officers and supporting multi-disciplinary teams. A robust monitoring framework will be in place to track progress.
Provision of specialist dementia care		Specialist dementia care provision in the independent sector is under developed, posing a challenge to commissioners to develop a specialism of a market which is already under pressure overall.	Commissioners will work closely with key providers to shape the market, where possible, to accord to longer term commissioning strategies, and the requirements for future care.
Joint funding of complex care		A tighter application of eligibility for NHS Continuing Health Care can lead to demand for social care rising. This risks an increase in the number of complex packages which generally have a high individual unit cost.	Joint frameworks and relationships with CCG are well developed, including escalation and challenge where appropriate. Pooling of resources and risk are considered collectively with the NHS commissioners.
Mental Health and Disability repatriations	£106,619	The Transforming Care Partnerships programme could result in individuals who are currently in NHS funded placements in hospitals around the country, being transferred back to a Devon care setting where there may be a requirement for adult social care support. 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.	Commissioners work with partners to identify and monitor repatriation of cases to ensure that the most appropriate and best value placements are secured in Devon, prioritising the most vulnerable cases first. Adult social care managers are engaged in the Transforming Care Partnership with CCG and work together to forecast future service demands, and manage repatriations of cases in a sensitive and planned way.

<p>NHS Contributions to Social Care (including Better Care Fund)</p>	<p>Total BCF pooled budget currently planned to be in the region of £94 millions</p>	<p>The Council entered a pooled budget arrangement in 2015/16 with NHS Commissioners described nationally as the Better Care Fund (BCF). This pooled arrangement now includes £33.153 millions of direct support to DCC social care budgets.</p> <p>The financial challenges faced by all partners inevitably pose a risk to the short term deployment of resources, ultimately making more difficult the very changes that are necessary to overcome those financial challenges.</p>	<p>A joint commissioning group comprising senior officers for each organisation and with detailed governance and specialist support is overseeing the operation of BCF.</p> <p>All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services..</p> <p>Strong professional relationships between the health and social care sectors have been developed over the past years both with CCG and provider trusts including hospitals.</p>
<p>Winter Pressures Allocation</p>	<p>£3,576</p>	<p>The Council has received a winter pressures grant for 2019/20 which underpins the proposed adult social care budget and is pooled within the Better Care Fund (BCF). The current budget does not include any additional provision for next winter (2019/20) at this stage, so resourcing and planning for next winter will be constrained by this with increased likelihood of system challenges around admission and discharge from hospital over the winter.</p>	<p>Good forward planning with health and other system partners to minimise impact.</p>

Children's Social Care

Service	Budget 2019/20 £'000	Risk and Impact	Mitigation
Short breaks services for disabled children	12,506 (net)	<p>Demand for these services continue to rise with increasing numbers of children and families accessing packages of care combined with higher levels of need.</p> <p>Families access a good range of community based short breaks, including direct payments, and are choosing residential short breaks less.</p> <p>From April 2019 the service will undertake direct delivery of residential short breaks. It is likely there will be corporate resource implications for support functions, IT and estates which may result in additional costs to the Authority</p>	<p>A review of resource allocation and eligibility criteria is underway and formal consultation will be launched in January 2019.</p> <p>By bringing the residential short breaks service in-house DCC has the opportunity to reshape the service to better reflect the preference of families to access community-based resources</p>
Looked after children placements	43,777 (net)	<p>Sufficiency of appropriate placements for children and young people with high levels of complex need (including mental ill-health) remains challenging, which in turn drives up costs.</p> <p>It is unlikely that these issues will be resolved in the short term the result of which is the potential for more children in very high cost placements at distance from home.</p>	<p>The budget has been set recognising the current pressures on sufficiency and costs; it assumes active management and cost control.</p> <p>The edge of care strategy will be implemented during 2019. There will be a multi-disciplinary approach to supporting adolescents at the edge of care who might otherwise enter care in crisis.</p> <p>At the same time alternative models of residential provision ("crisis care") will continue to be developed.</p> <p>These mitigations, if successful, will take time to work through the system. The effect of these strategies will not be realised in full within the 2019/20 financial year</p>
Atkinson Secure Children's Home	3,788 (gross)	<p>Despite a national shortage of secure welfare beds the ability of the Home to maximise its occupancy potential is dependent on having in place the right level of experienced staff.</p> <p>Recruitment in this sector is challenging against a thriving local economy with high levels of employment</p>	<p>The management board actively reviews its recruitment and reward strategies to attract and retain skilled staff</p>

Public Health Nursing	10,000 (gross)	<p>From April 2019 Children's services will become the provider of the 0-19 Public Health Nursing Service</p> <p>Around 225 staff are expected to transfer into DCC (approx. 174 FTE)</p> <p>It will be important that the workforce is appropriate in terms of numbers and skills mix, and that the necessary infrastructure and support functions are in place to ensure seamless continuity of service upon transfer. This may also include novation of contracts.</p>	Careful planning, project managed through the Mobilisation Group, and effective communication across the whole staff group will help mitigate the risk of staff turnover and infrastructure or systems failure.
Education and Learning – General Fund	40,429 (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 where possible.</p>
School/College Transport	24,212 (net)	<p>The number of pupils requiring home to school transport is increasing with limited operators causing costs to rise.</p> <p>Personalised transport needs have been increasing with costs rising being offset by additional support.</p> <p>Contractors are giving notice as routes are no longer viable and causing inflationary increases to cost.</p>	<p>Risk mitigation in this area is now difficult as costs are increasing due to bus operators no longer willing to run routes as they are not viable or ceasing to trade. This means we have to place more contracts further away from the routes they serve with the impact of increased costs.</p> <p>Number of children with EHCP plans continues to rise. We continue work to manage demand for special educational needs (as below for High Needs DSG spending) but whilst slowing the increase this will not reduce numbers. Increase access to Independent Travel Training. Review policies for discretionary transport provision and increase local provision for children with special educational needs. (please see service note in relation to local provision)</p>
Education and Learning – Schools budgets	552,611 (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.	<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>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>	<p>Continue to develop partnership working to maximise effect of collaborative approaches between statutory and purchased service delivery.</p>
High Needs budgets	65,589 (net)	<p>The cost of educating pupils with complex educational and physical needs can be significant and volatile.</p> <p>In particular the number of students remaining in Education post 16 is rising.</p> <p>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.</p> <p>Risk of more exclusions and increase in harder to admit children.</p> <p>Continued growth for pupils with EHCPs is seeing a funding pressure which has yet to be met within the current funding envelope.</p>	<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 to reduce reliance on the Independent Sector and management action to reduce placements within Alternative Provision through work with Devon Inclusion Partnership.</p> <p>Undertake management actions including a review of students currently in 3rd-5th years of post-16 education and block contracts in Independent Special Schools.</p>

Communities, Public Health, Environment and Prosperity

Service	Budget 2019/20 £'000	Risk and Impact	Mitigation
Public & Community Transport	6,384 (budget and other funding)	<p>Around 80% of passenger journeys are on commercial bus services with no DCC control over them. The remainder are on supported (contracted) bus services. The commercial sector therefore shapes the network, and DCC responds to fill in gaps, optimising the scope for an integrated network. Recent experience has shown that the sector is increasingly commercially fragile which increases the cost risk to the provision of supported services.</p> <p>DCC also supports the voluntary and community transport sector where conventional buses are not sustainable. Changes to legislation pose a threat to the sustainability of this provision.</p> <p>Any reductions to service will have an impact on Devon communities as 19% of Devon residents have no access to a car.</p>	<p>Budget is based on actual services each year. Service support is based upon criteria related to DCC strategic objectives.</p> <p>Wherever possible Commercial Operators are encouraged to take up services.</p> <p>DCC supported services are developed to achieve commercial viability where possible.</p> <p>DCC maintains close relationships with this sector. Once the final legislative changes are known an impact assessment and mitigation strategies will be developed.</p>
National Concessionary Travel Scheme	9,266	Under statutory provision commercial bus operators are reimbursed for the use of free travel passes by more than 145,419 pass-holders in Devon and by non-Devon residents travelling in the County. Travel levels and patterns are subject to a range of influences which are outside the control of DCC so cannot be predicted precisely.	Budgets reflect recent trend data. Fixed fee contracts with bus providers have been negotiated to alleviate most of the uncertainty around costs.
Flood Risk Management – Surface water	808 (excludes capital progr.)	DCC is the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act and the Flood Risk Regulations. Consequently, there would be costs associated with statutory requirements in the event of a major incident.	DCC has processes in place to undertake the required duty should there be a significant flood incident. However, funding over and above this budget might need to be identified.
School Place Planning (capital funding/home to school transport revenue)		There has been a significant reduction in Government capital grant to support additional pupil places and the general condition of school buildings. Furthermore, the introduction of Community Infrastructure Levy in three Local Planning Authorities has created further uncertainty on securing development contributions towards education infrastructure. Failure to provide appropriate schools places locally will have knock on implications for the Home to School Transport budget	Devon to contact Local Planning Authorities to request education be treated as Section 106 item following the Government review of CIL. Bids for CIL funds to be submitted including Exmouth Community College from East Devon, SWE Exeter from Exeter/Teignbridge and Dawlish Primary from Teignbridge. Ensure approved Free Schools are delivered, realising central Government investment. Seek direction from schools not utilising full capacity or refusing legal admissions

		<p>The number of learners who require an Education, Care and Health Plan continues to rise with a proportion of these learners requiring a specialist placement with limited capital grant from National Government. Failure to provide appropriate schools places locally will have knock on implications for the Home to School Transport budget and the High Needs Block within the Dedicated Schools Grant</p> <p>A number of schools have been identified at risk of flooding including Tipton St John.</p>	<p>Delivery of additional SEN Places at Charlton Lodge for September 2019. Ensure that Department for Education deliver Glendinning House in Newton Abbot by September 2020. Evidence based assessment of investment of limited SEN capital funding to increase local capacity in particular in Maintained Special Schools</p> <p>Detailed assessment of schools impacted to be undertaken to ensure safety of school users and/or priorities for mitigation are identified.</p>
Community grants	921	Having reviewed spending and outcomes from the Communities Together Fund and other grant funding, the Council now need to prioritise community funding on key organisational priorities and the most vulnerable.	More money will be aligned into new funds to target delivery and improved outcomes in communities. There will be a greater focus on matched and crowdfunding to maximise available monies and energy.
Public Health – Early Help for Mental Health	134	There is a risk of discontinuity between the end of the wholly PH-grant funded "early help for mental health" service and the mobilisation of the new integrated children and young people's health contract.	<p>Public Health (PH)</p> <p>(a) has contributed to the specification of; and</p> <p>(b) is part of the mobilisation process for the new contract, working with the CCG.</p> <p>PH will use a smaller funding envelope to continue to support meeting the needs of children and young people with their mental health.</p>
Public Health - Sexual Health	6,227	New contract and demand-led service so actual numbers could vary significantly.	The budget allows for an increase in costs.
Public health - Health checks	458	There is a risk to the PH budget if significantly more health checks are offered and taken up than forecast.	Engagement with the LMC and monitoring of activity at individual practice level.
Public health - Smoking cessation	1,193	There is a risk to the PH budget if significantly more smokers are both identified and supported to quit than is forecast.	To continually review the different lifestyle support activities, including the distribution of resource between services.
Exeter Science Park (loan guarantee)	Max 2,652	The Science Park Innovation Centre Construction was built by Exeter Science Park Limited (ESPL). This was partially funded via a loan from the Local Enterprise Partnership. DCC have guaranteed 50% of the loan and interest. It is likely that part of the guarantee will be required and to date budgetary provision has been made to	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

		cover £1.831m. This figure is based on the current shortfall shown in the ESPL business plan.	which have to be approved by the Board at regular intervals.
Budget Reductions (incl. Policy Changes)	762	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 the risk of challenge or failure.	The priority is to maintain statutory compliance. A rigorous programme with risk assessment has been developed and will be continually monitored during 2019/20 with particular emphasis on high risk or new strategies. Continuous efforts to influence and negotiate with partners will be maintained.

Corporate Services

Service	Budget 2019/20 £000	Risk and Impact	Mitigation
Insourcing of services (across all service types)		Recent moves to insource services such as Public Health Nursing will see a significant number of staff TUPE into the Authority, all of which will require significant back office support. In addition, responsibility for linked assets such as buildings will also transfer, putting pressure on maintenance budgets.	Work closely with front-line service heads across the authority to ensure all Corporate Services develop and evolve to meet the changing needs of the authority.
Business Services and Support	4,923 (net)	Ongoing demands for business support for Children & Adults at risk place increasing pressure on this service.	Work closely with service heads to identify where efficiencies can be made
Coroners Service	1,481	There is a risk of unavoidable additional costs in medical (pathology), analysts, funeral directors and mortuary facility fees.	Continue to work closely with colleagues across the region conducting ongoing reviews of commissioning processes and joint working arrangements with a view to curtailing expenditure and producing additional efficiencies in this respect.
Human Resources	2,282 (net)	Implementation of the new HRMS places increasing pressure on the capacity of the HR service available to carry out business as usual and support the front-line services. Delays in the project timetable will make achievement of savings plans very challenging.	Work closely with service heads across the authority to ensure long term planning results in the most effective use of available resources.
Countywide Initiatives	(1,941)	The staffing restructures required to realise these savings plans may adversely affect the business support provided to front-line services.	Lessons learnt from previous organisational restructures will be employed to ensure that any disruption to services is minimised.

Highway, Infrastructure Development and Waste

Service	Budget 2019/20 £'000	Risk and Impact	Mitigation
Winter Maintenance and Emergencies	Approx. 3,640	Winter maintenance and other emergencies which are typically weather related, cannot be predicted. There is a risk of overspend in the event of severe weather conditions. Proportions of this budget are based on a mild to average winter. Therefore, a worse than average year will place additional pressure on this budget.	There is limited scope for management action as the bulk of the costs tend to fall in the latter part of the financial year thus precluding funding by deferral of planned maintenance work. DCC policy is to respond appropriately to such events and wherever possible divert resources from other works in order to mitigate some of the costs. Scenario modelling is undertaken to assess any potential overspend.
Safety Defect Repairs	Approx. 5,250	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Over the last 5-6 years significant extra resources from both central government and DCC have been targeted towards this area. However, the level of investment is still well below the backlog.	New ways of providing this service were trialed in 2018/19. Works are closely monitored during the year and funds diverted from planned works where possible.
Ash Dieback Disease – impact on Highways	350	Ash Dieback could have an effect on DCC budgets and resources. This impact will not be immediate but the effects will probably be dealt with over a 10 year period. There is evidence that Ash Dieback is infiltrating into Devon's tree population and it is estimated that 440,000 ash trees are within falling distance of the highway, most of which are the responsibility of other land owners.	The rate of the spread of disease will be monitored, inspection periods altered accordingly and closely monitored, which should ensure that all trees not owned by DCC are dealt with by the land owner.
Highways Income from Fees and Charges	2,161	The Authority is legally entitled to levy charges for a variety of Highways services. These services are completely demand led and are therefore susceptible to variations in economic factors. A variation in demand of +/- 10% could result in a budgetary impact of £200,000.	There is limited scope for direct management action to significantly influence the demand for Highways services. However, income levels are monitored during the year and, where possible, mitigating actions are taken in other areas of the budget.
Waste Management	28,920	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 amount of growth has been assumed. 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	Extra resources have been targeted towards this area in recent years, to deal with an above average increase in the tonnage levels. Current 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

		<p>tonnages of +/- 1% could result in a financial variation of £300,000.</p>	<p>effective ways of disposing of waste are continually explored such as the recent Energy from Waste Plants at both Exeter and Plymouth and the new arrangements to transfer waste from the Brynsworthy Waste Acceptance Facility to the Severnside Energy Recovery Centre for disposal.</p>
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Fees and Charges

Introduction

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

This report identifies any new fees and charges included within the 2019/20 revenue budgets. It is proposed that changes to existing charges are set by Cabinet Member delegation, as in previous years.

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

Highways charges

It is proposed that a new charge is introduced in respect of the retrieval of lost items from highway gullies:

General Debtor Works	Proposed Charge
Retrieval of lost items from highway gullies	Actual cost + overheads + VAT where applicable

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Abbreviations

Abbreviations used within the budget for all Scrutiny reports:

AMHP	Approved Mental Health Professional
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
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
DCC	Devon County Council
DDA	Disability Discrimination Act
DEFRA	Department for Environmental Food & Rural Affairs
DFC	Devolved Formula Capital
DoLS	Deprivation of Liberty Safeguards
DPLS	Devon Personalised Learning Service
DSG	Dedicated Schools Grant
DYS	Devon Youth Services
EFA	Education Funding Agency
ERDF	European Regional Development Fund
ESPL	Exeter Science Park Ltd
EU	European Union
FTE	Full Time Equivalent
HR	Human Resources
HRMS	Human Resources Management System
IBCF	Improved Better Care Fund - Additional grant funding to supplement the Better Care Fund
ICT	Information & Communications Technology
IID	Investing in Devon funds
INNOVASUMP	Innovations in Sustainable Urban Mobility plans for low carbon urban transport
IT	Information Technology
LAG	Local Action Group
LEP	Local Enterprise Partnership
LTP	Local Transport Plan

MH	Mental Health
MHCLG	Ministry of Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MTCP	Medium Term Capital Programme
MTFS	Medium Term Financial Strategy
MUMIS	Major Unforeseen Maintenance Indemnity Scheme
NFF	National Funding Formula
NHS	National Health Service
NLW	National Living Wage
NPIF	National Productivity Investment Fund
OP&D	Older People & Disability
OT	Occupational Therapist
PFI	Private Finance Initiative
PH	Public Health
PTE	Part-time Equivalent (15 hours)
PWLB	Public Works Loans Board
REACH	Reducing Exploitation and Absence from Care or Home
RD&E	Royal Devon & Exeter Hospital
RPA	Rural Payments Agency
RSG	Revenue Support Grant
S106	Funding from developers resulting from planning obligations authorised by section 106 of the Town and Country Planning Act 1990
ScoMIS	Schools Management Information Service
SEND	Special Education Needs and Disability
TBC	To be confirmed
VAWG	Violence against Women and Girls
VELP	Vehicle Equipment Loan Pool