Devon County Council

Revenue Budget 2022/23
Medium Term Financial Strategy to 2025/26
and
Capital Strategy to 2026/27

Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for 2022/23

Date	Committee	Subject	Ref No.
8th December 2021	Cabinet	Revenue/Capital Budget 2022/23	DF/21/23
12th January 2022	Cabinet	Revenue/Capital Budget 2022/23	DF/22/04
18th January 2022	Children's Scrutiny	Draft Revenue Budget 2022/23 and Capital Programme 2022/23 - 2026/27	DF/22/01
20th January 2022	Health and Adult Care Scrutiny	Draft Revenue Budget 2022/23 and Capital Programme 2022/23 - 2026/27	DF/22/02
27th January 2022	Corporate, Infrastructure & Regulatory Services	Draft Revenue Budget 2022/23 and Capital Programme 2022/23 - 2026/27	DF/22/03
11th February 2022	Cabinet	Impact Assessments	https://www.devon.gov.uk/impact/budget22-23/
11th February 2022	Cabinet	Report of Consultations with representatives of the Devon Business Community; Older People and Voluntary Sector Representatives, and Trade Unions	CSO/22/4
11th February 2022	Cabinet	Overview/Scrutiny Committee recommendations	CSO/22/5
11th February 2022	Cabinet	Revenue Budget and Medium Term Financial Strategy 2022/23 - 2025/26 and Capital Programme 2022/23 - 2026/27	DF/22/17
17th February 2022	Council	Revenue Budget and Medium Term Financial Strategy 2022/23 - 2025/26 and Capital Programme 2022/23 - 2026/27	DF/22/18

Revenue Budget Overview

The Budget for 2022/23 is one of the most challenging the authority has faced. The pandemic has placed immense strain on the health and social care system over the last two years; demand for services, significant cost increases and increasing intensity of care required is causing huge pressure on the authority's budget. This coupled with the need to invest in and improve our services to children has meant investment of almost £80 million is needed in these services next year - this level of investment is unprecedented.

The spending review and the settlement has brought an increase in funding for the authority but not sufficient to cover the increased costs we are facing. Savings of more than £30 million are required along with a significant contribution from our reserves in order to set a balanced budget for 2022/23.

This section of the Budget Book outlines the Revenue Budget for 2022/23 with more information on what the future might hold within the Medium Term Financial Strategy which starts on page 89.

The Local Government Finance Settlement 2022/23

On the 7th February 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the final local government finance settlement 2022/23.

The 2022/23 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

Spending Review 2021 Additional Funding – The Chancellor announced an additional £1.6 billion per annum (2022/23 to 2024/25) for local government as part of SR21. The majority of this amount has been included in the Core Spending Power figures. Based on the figures in the Core Spending Power amounts, there has been a net increase in funding (excluding the multiplier adjustment and Adult Social Care reform funding) of £1.5 billion.

As previously announced at SR21, the council tax referendum limit will be 2% for local authorities, with social care authorities allowed an additional 1% social care precept.

The tables on the next page set out the final settlement for Devon's Core Funding of £103.2 million and other grants.

	£000
Revenue Support Grant	582
BRRS Central Government Top Up	80,654
BRRS Local Element*	21,997
Core Funding	**103,233**
New Homes bonus	2,143
Rural Services Delivery Grant	7,823
Social Care Grant	32,317
Improved Better Care Fund	29,126
ASC Reform/Market Sustainability & Cost of Care Fund	2,413
Services Grant	7,076
Other Grants	**80,898**

* the actual amount we receive will be derived from returns completed by our Devon Districts

Revenue Expenditure

Detailed budgets have now been produced within the Targets set by Cabinet in January 2022; these are shown on pages 40 to 87.

Cabinet at its meeting on 8th December 2021 set Revenue Budget Targets for 2022/23. The provisional settlement was very close to what was expected, and therefore no change was proposed to the Budget Targets at Cabinet on 12th January 2022. The Government issued the Final Settlement on 7th February 2022, which confirmed there were no changes to the authority's budget.

The detailed budgets on pages 40 to 87 comply with the Targets set by Cabinet on 8th December which total £629.4 million. The total includes funding for budget pressures of £87.4 million that mainly relates to additional expenditure to allow for service growth to cater for demographic changes such as increased children and adult service users and unavoidable cost pressures. Savings and income initiatives of £38.7 million are required to set a balanced budget. Since this time additional income of £8 million from the NHS to support social care has been agreed, this has reduced the need of some of the proposed savings considered by scrutiny in January.

The targets set for each service area have been subject to different pressures and influences. The table below shows the 2022/23 Budget Targets by service area.

	2021/22 Adjusted Budget *	Inflation & Pressures	Savings & additional Income	2022/23 Budget	Net change	
	£000	£000	£000	£000	£000	%
Adult Care & Health	283,294	47,875	(18,241)	312,928	29,634	10.5%
Children's Services	159,036	28,787	(11,675)	176,148	17,112	10.8%
Community Health, Environment & Prosperity	40,280	3,809	(2,846)	41,243	963	2.4%
Corporate Services	40,937	3,612	(2,830)	41,719	782	1.9%
Highways, Infrastructure Development & Waste	57,124	3,349	(3,149)	57,324	200	0.4%
	580,671	**87,432**	**(38,741)**	**629,362**	**48,691**	**8.4%**

* Adjusted for permanent virements

The risks associated with the delivery of the 2022/23 budget and the mitigating action needed to try to contain that risk is detailed on pages 167 to 189.

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 authority's Capital Programme explained on pages 19 to 37. Factors that influence the income gained from our balances are set out on pages 121 to 154 that explains the authority's Treasury Management Strategy.

Revenue Income - Council Tax

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

District Councils have now reported their final tax base and surpluses on collection. The level of tax collection surplus attributable to the authority is an estimated £5 million. Surpluses serve to reduce the Council tax implications of any given spending level, but only on a one-off basis. They cannot be relied on for future years or to fund on-going expenditure. Key Table 2 sets out the Council Tax Requirement, Tax Base, Council Tax by band and individual District Precepts.

Reserves and Balances

Members need to endorse the level at which general balances and earmarked reserves should be maintained. Pages 114 to 120 explain the authority's strategy for its reserves and balances. It is recommended that general balances are maintained at or above £15.8 million. 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 89 to 113. The level of uncertainty over future funding and the combined impact of the Pandemic and leaving the EU 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 authority not only receives Core Funding but also specific grants that relate to particular activities and these are detailed in Key Table 5 on page 12 and 13. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2022/23 the Dedicated Schools Grant has increased to £634.4 million from £589.2 million in 2021/22. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Conclusion

The Budget for 2022/23 includes significant investment in services but, in order to deliver the budget, pressures must be contained, and planned savings achieved. This will not be an easy task. The one-off use of reserves to support this budget will cause additional pressures in the following year and work must commence immediately on transforming our services to ensure Devon is the 'Best Place' within the resources available.

Key Table 1 – Council Tax Requirement

2021/22 Adjusted Budget £'000		Changes £'000	2022/23 Budget £'000
283,294	Adult Care & Health	29,634	312,928
159,036	Children's Services	17,112	176,148
40,280	Communities, Public Health, Environment & Prosperity	963	41,243
40,937	Corporate Services	782	41,719
57,124	Highways, Infrastructure Development & Waste	200	57,324
1,400	County Council Election	(1,400)	0
610	Central Contingency - Apprenticeship Levy	90	700
(501)	Pension contribution discount	(18)	(519)
(2,035)	Pay award and Pension contribution shortfall	2,035	0
0	Insurance Provision	1,000	1,000
580,145	**TOTAL SERVICE BUDGETS**	**50,398**	**630,543**
38,550	Capital Financing Charges	(182)	38,368
13,933	Schools and Energy from Waste PFI Financing Charges	(381)	13,552
(800)	Interest on Balances	(100)	(900)
50	Council Tax Support Partnership	0	50
0	Bellwin Scheme Related Emergencies	1,000	1,000
14,823	COVID spending	(14,823)	0
600	Council Tax Hardship Support	(600)	0
700	Highways -Street Furniture and Potholes	(700)	0
0	Adult Care & Health Transformation - Health funding	2,000	2,000
0	Highways - Drains, safety defects, cyclic maintenance	1,000	1,000
0	ASC Reform/Market Sustainability & Cost of Care Spend	2,413	2,413
0	Equality, Diversity and Inclusion	500	500
0	Community grant and crowd funding schemes removal of savings	329	329
9,821	Spending from Reserves	(2,872)	6,949
630	Environment Agency - Flood Defence	13	643
348	Inshore Fisheries Conservation Authority (IFCA)	11	359
(9,821)	Use of Reserves	2,872	(6,949)
0	Contribution from Reserves	(22,938)	(22,938)
0	Transfer from Budget Mgt Reserve to Working Balance	(1,000)	(1,000)
0	Transfer to Working Balance from Budget Mgt Reserve	1,000	1,000
0	NHS Contribution - Adult Care and Health new initiatives	(2,000)	(2,000)
(9,851)	Business Rates - Government Grants and gain	(8,577)	(18,428)
(2,622)	Independent Living Fund (ILF)	0	(2,622)
(1,476)	Education statutory retained duties - schools contribution	0	(1,476)
0	Core school improvement activities - schools contribution	(318)	(318)
(685)	School Improvement Grant	368	(317)
(675)	Local Service Support Grant	0	(675)
(2,486)	New Homes bonus	343	(2,143)
(7,823)	Rural Services Delivery Grant	0	(7,823)
(95)	Lead Local Authority Flood Relief Grant	95	0
(14,823)	COVID funding	14,823	0
(11,358)	Council Tax Support Grant and Loss Compensation	11,358	0
0	Adult Social Care Reform / Market Sustainability Grant	(2,413)	(2,413)
0	Cyber Security	(120)	(120)
0	Services Grant	(7,076)	(7,076)
(23,309)	Social Care Grant	(9,008)	(32,317)
(28,271)	Improved Better Care Fund	(855)	(29,126)
545,505	**NET BUDGET (BUDGET REQUIREMENT)**	**14,560**	**560,065**
(549)	Revenue Support Grant	(33)	(582)
(80,654)	Business Rates Retention Scheme Central Government Top Up	0	(80,654)
(22,112)	Business Rates Retention Scheme Local Element	2,967	(19,145)
12,369	Collection Fund (Surplus)/Deficit - Business Rates	(4,905)	7,464
(11,738)	Transfer from COVID 19 Business Rate Relief Reserve	11,738	0
(2,379)	Collection Fund (Surplus)/Deficit - Council Tax	(2,575)	(4,954)
(440,442)	**COUNCIL TAX REQUIREMENT**	**(21,752)**	**(462,194)**

The 2022/23 Band D Council Tax is increased by 2.99% to £1,556.46

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	£'s
County Council Budget funded by District Councils' collection fund	467,147,301.48
Net Surplus on Council Tax collection in previous years	(4,953,500.51)
Total to be met from Council Tax precepts in 2022/23	**462,193,800.97**

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate %
East Devon	61,606.00	60,805.00	98.70
Exeter	38,831.00	37,666.00	97.00
Mid Devon	30,575.82	29,811.41	97.50
North Devon	35,837.15	34,762.04	97.00
South Hams	40,141.49	39,139.70	97.50
Teignbridge	50,594.30	49,633.00	98.10
Torridge	24,945.95	24,447.03	98.00
West Devon	21,327.00	20,687.75	97.00
Total	**303,858.71**	**296,951.93**	**97.73**

COUNTY COUNCIL TAX DUE FOR EACH PROPERTY VALUATION BAND

Valuation Band	Government Multiplier		Adult Social Care Precept	General Expenditure (Other)	Council Tax Devon CC
	Ratio	% of Band D	£'s	£'s	£'s
A	6/9	66.7	122.58	915.06	**1,037.64**
B	7/9	77.8	143.01	1,067.57	**1,210.58**
C	8/9	88.9	163.44	1,220.08	**1,383.52**
D	**1**	**100.0**	**183.87**	**1,372.59**	**1,556.46**
E	11/9	122.2	224.73	1,677.61	**1,902.34**
F	13/9	144.4	265.59	1,982.63	**2,248.22**
G	15/9	166.7	306.45	2,287.65	**2,594.10**
H	18/9	200.0	367.74	2,745.18	**3,112.92**

The County Council Tax for Band D represents an increase of 2.99% on the 2021/22 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2022/23

District Council	Surplus/(deficit) for 2021/22 £'s	Precepts Due 2022/23 £'s	Total due in 2022/23 £'s
East Devon	694,553.00	94,640,550.30	95,335,103.30
Exeter	95,610.00	58,625,622.36	58,721,232.36
Mid Devon	2,142,806.12	46,400,267.21	48,543,073.33
North Devon	(310,137.93)	54,105,724.78	53,795,586.85
South Hams	1,084,000.00	60,919,377.46	62,003,377.46
Teignbridge	(285,952.00)	77,251,779.18	76,965,827.18
Torridge	835,621.32	38,050,824.31	38,886,445.63
West Devon	697,000.00	32,199,655.37	32,896,655.37
	4,953,500.51	**462,193,800.97**	**467,147,301.48**

Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	**£'000**
Estimated balance as at 31st March 2022	**14,825**
Add transfer from Earmarked Reserves in 2022/23	**1,000**
Estimated balance as at 31st March 2023	**15,825**

Note: The estimate of both working balances and earmarked funds as at March 2022 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 2022 £'000	**Estimated Spending £'000**	**Transfer to County Fund £'000**	**Estimated Balance at 31 March 2023 £'000**
Affordable Housing	182	60	0	**122**
On Street Parking	1,400	543	0	**857**
Public Health	7,632	1,500	0	**6,132**
Budget Management	66,620	15,284	1,000	**50,336**
Business Rates Pilot	7,149	7,103	0	**46**
Business Rates Risk Management	9,703	0	0	**9,703**
Climate Change Emergency	1,480	0	0	**1,480**
Emergency	19,089	0	0	**19,089**
Regeneration and Recovery	3,147	3,094	0	**53**
Service Transformation	9,100	2,303	0	**6,797**
Total Earmarked Revenue Reserves	**125,502**	**29,887**	**1,000**	**94,615**

Key Table 4 – Medium Term Financial Strategy

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Care & Health	312,928	332,454	346,253	361,317
Children's Services	176,148	185,701	189,806	195,785
Communities, Public Health, Environment & Prosperity	41,243	43,260	44,179	45,122
Corporate Services	41,719	43,398	48,200	49,290
Highways, Infrastructure Development & Waste	57,324	58,654	59,803	62,274
Savings to Services	0	0	(35,482)	(38,544)
County Council Election	0	0	0	1,500
Central Contingency - Apprenticeship Levy	700	710	720	730
Pension contribution discount	(519)	0	0	0
Insurance Provision	1,000	1,000	1,000	1,000
Total Service Budget	**630,543**	**665,177**	**654,479**	**678,474**
Other Budgets:				
Capital Financing Charges	38,368	39,106	39,427	39,573
Schools and Energy from Waste PFI Financing Charges	13,552	13,552	13,552	13,552
Interest on Balances	(900)	(900)	(900)	(900)
Council Tax Support Partnership	50	50	50	50
Bellwin Scheme Related Emergencies	1,000	1,000	1,000	1,000
Adult Care & Health Transformation - Health funding	2,000	0	0	0
Highways - Drains, safety defects, cyclic maintenance	1,000	1,000	1,000	1,000
ASC Reform/Market Sustainability & Cost of Care Fund	2,413	20,857	29,796	29,796
Equality, Diversity and Inclusion	500	500	500	500
Community grant and crowd funding schemes removal of savings	329	329	329	329
Spending from Reserves	6,949	6,478	4,062	4,000
Payments to Outside Bodies				
Environment Agency - Flood Defence	643	655	669	682
Inshore Fisheries Conservation Authority (IFCA)	359	370	381	392
Reserves and Balances				
Use of Reserves	(6,949)	(6,478)	(4,062)	(4,000)
Contribution from Reserves	(22,938)	0	0	0
Transfer from Budget Mgt Reserve to Working Balance	(1,000)	0	0	0
Transfer to Working Balance from Budget Mgt Reserve	1,000	0	0	0
Other Grant Income				
NHS Contribution - Adult Care and Health new initiatives	(2,000)	0	0	0
Business Rates - Government Grants and Pooling Gain	(18,428)	(19,055)	(19,471)	(19,840)
Independent Living Fund (ILF)	(2,622)	(2,622)	(2,622)	(2,622)
Education statutory retained duties - schools contribution	(1,476)	(1,476)	(1,476)	(1,476)
Core school improvement activities - schools contribution	(318)	(635)	(635)	(635)
School Improvement Grant	(317)	0	0	0
Local Service Support Grant	(675)	(675)	(675)	(675)
New Homes bonus	(2,143)	(972)	(972)	(972)
Rural Services Delivery Grant	(7,823)	(7,823)	(7,823)	(7,823)
ASC Reform/Market Sustainability & Cost of Care Fund	(2,413)	(20,857)	(29,796)	(29,796)
Cyber Security	(120)	(120)	(120)	(120)
Services Grant	(7,076)	(7,076)	(7,076)	(7,076)
Social Care Grant	(32,317)	(32,317)	(32,317)	(32,317)
Improved Better Care Fund	(29,126)	(29,126)	(29,126)	(29,126)
NET BUDGET (BUDGET REQUIREMENT)	**560,065**	**618,942**	**608,174**	**631,970**
Financed By:				
Revenue Support Grant	(582)	(603)	(617)	(629)
Business Rates Retention Scheme Central Government Top Up	(80,654)	(83,558)	(85,479)	(87,189)
Business Rates Retention Scheme Local Element	(19,145)	(19,528)	(19,918)	(20,317)
Collection Fund (Surplus)/Deficit - Business Rates Retention Scheme	7,464	1,000	1,000	1,000
Collection Fund Surplus - Council Tax	(4,954)	0	0	0
COUNCIL TAX REQUIREMENT	(462,194)	(480,771)	(500,098)	(520,200)
Budget savings required/(Surplus)	**0**	**35,482**	**3,062**	**4,635**
Savings and additional income	(38,741)	(9,516)	(8,836)	(1,729)
Further savings required	0	(35,482)	(3,062)	(4,635)
Total Savings to be delivered	(38,741)	(44,998)	(11,898)	(6,364)

Key Table 5 – Government Specific Grants

Service and Grant Title	Funded by	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Care Operations and Health					
Local Reform Community Voices Grant	Department of Health	142	142	142	142
Social Care in Prisons Grant	Department of Health	291	291	291	291
War Pensions Scheme Grant	Department of Health	438	438	438	438
Contributions	Health and other local authorities	28,216	20,723	20,723	20,723
		29,087	**21,594**	**21,594**	**21,594**
Adult Commissioning and Health					
Local Reform Community Voices Grant	Department of Health	370	370	370	370
Contributions	Health and other local authorities	2,923	2,416	2,416	2,416
		3,293	**2,786**	**2,786**	**2,786**
Children's Social Care					
Assessed and Supported Year in Employment	Department for Education	26	26	26	26
Youth Detention Grant	Ministry of Justice	26	26	26	26
Staying Put Grant	Department for Education	450	450	450	450
Secure Stairs Grant	NHS England	422	422	422	422
Youth Justice Grant	Youth Justice Board	67	67	67	67
Unaccompanied Asylum Seekers Grant	Home Office	916	916	916	916
Supporting Families Programme	Department for Communities & Local Government	1,594	1,801	2,035	2,035
Turning Corners	Police & Crime Commissioner	118	118	118	118
Restorative Devon	Department for Education	1,534	0	0	0
Contributions	Health and other local authorities	2,415	2,415	2,415	2,415
		7,568	**6,241**	**6,475**	**6,475**
Education and Learning					
Dedicated Schools Grant*	Education Funding Agency	630,138	630,138	630,138	630,138
DSG in year settlement growth plan	Education Funding Agency	4,303	4,303	4,303	4,303
Post 16 Funding	Education Funding Agency	1,287	1,287	1,287	1,287
Pupil Premium	Education Funding Agency	25,133	25,133	25,133	25,133
Universal Infant Free School Meals	Education Funding Agency	7,986	7,986	7,986	7,986
PE & Sport Grant	Department for Education	5,566	5,566	5,566	5,566
Teacher's Pay Grant	Education Funding Agency	427	0	0	0
Teacher's Rension Grant	Education Funding Agency	1,243	0	0	0
Contributions	Health and other local authorities	1,823	1,823	1,823	1,823
Virtual School Heads Grant	Department for Education	96	0	0	
Holiday Activities and Food Programme	Department for Education	1,856	1,856	0	0
Music Grant	Arts Council	928	928	928	928
		680,786	**679,020**	**677,164**	**677,164**
Economy and Enterprise					
Developing Entrepreneurship in Schools	Interreg Europe	23	6	0	0
North Devon Enterprise Centre	European Regional Development Fund	65	5	0	0
Service for All	Department for Levelling Up, Housing and Communities	271	0	0	0
Building Better Opportunities Focus 5	Big Lottery	342	85	0	0
Exeter Youth Hub	Department for Work and Pensions	18	0	0	0
Community Renewal Fund	Department for Levelling Up, Housing and Communities	4,457	0	0	0
Learn Devon - Community Learning	Skills Funding Agency	2,154	2,154	2,154	2,154
Learn Devon - Adult Skills Budget (inc Apprenticeships / Additional Learning Support)	Skills Funding Agency	1,202	1,202	1,202	1,202
Learn Devon - 14-19 EFA Funding	Education Funding Agency	100	100	100	100
Learn Devon	Other Local Authorities	331	166	0	0
Trading Standards	Government Grants	80	80	80	80
		9,043	**3,798**	**3,536**	**3,536**

*The Dedicated Schools Grant is estimated on October 2021 pupil numbers. The final grant allocation is expected to be notified by the end of March 2022.

Service and Grant Title	Funded by	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Planning, Transportation and Environment					
Areas of Outstanding Natural Beauty	DEFRA	746	694	316	316
Areas of Outstanding Natural Beauty	Other Local Authorities	72	72	72	72
Environment and Sustainable Travel	Other Local Authorities	16	0	0	0
Environment and Sustainable Travel	Other	229	3	2	1
Maritime and Fisheries projects	Other Local Authorities	12	12	12	12
Maritime and Fisheries projects	Other	17	17	17	17
Taw Valley Countryside Stewardship Facilitation Fund	European Agricultural Fund	46	0	0	0
South West Coast Path & Country Parks	Natural England	92	92	92	92
Devon & Exeter Low Carbon Energy & Transport Technology Innovator (DELETTI)	European Regional Development Fund	19	0	0	0
TIDES	Interreg Europe	75	0	0	0
Co-Adapt Connecting The Culm	Interreg Europe	190	0	0	0
Hillforts of the Hills LEI	Historic England	2	0	0	0
FutureMares	Interreg Europe	4	4	4	0
Blackdown Hills Farming & Woodland Group CSFF	European Agricultural Fund	10	0	0	0
Retrofit in Devon - CGGS	Department of Transport	88	0	0	0
Bus Service Operators Grant	Department of Transport	1,146	1,146	1,146	1,146
Patient Transport Pathfinder	NHS	66	0	0	0
Transport contributions	Other Local Authorities	57	57	57	57
Transport contributions	Other	994	994	994	994
		3,881	**3,091**	**2,712**	**2,707**
Communities and Other Services					
Active Devon	Sport England	922	870	870	870
Active Devon	Other	550	605	635	635
Active Devon	Other Local Authorities	0	20	20	20
Syrian Refugees	Home Office	112	38	4	0
Afghan Refugees	Home Office	210	293	240	161
Cranbrook Library	Other	15	0	0	0
Sherford Library	Other	12	12	12	12
Youth Services	Other	31	0	0	0
Emergency Planning	Other Local Authorities	43	0	0	0
		1,895	**1,838**	**1,781**	**1,698**
Public Health					
Public Health	Department of Health	29,013	29,013	29,013	29,013
Nicotine Replacement Therapy Contribution	New Devon CCG	650	650	650	650
Diabetes Lifestyle Intervention Programme	Big Lottery	278	86	0	0
NIHR Public Health Research	RD&E	44	0	0	0
		29,985	**29,749**	**29,663**	**29,663**
Digital Transformation and Business Support					
Private Finance Initiative	Department for Communities and Local Government	6,937	6,937	6,937	6,937
Private Finance Initiative	Exeter Diocesan Board	1,972	1,989	2,007	2,025
		8,909	**8,926**	**8,944**	**8,962**
Capital Development and Waste Management		**62**	**56**	**0**	**0**
Highways and Traffic Management					
Park & Ride Sites	Health	25	25	25	25
South West Coast Path & Country Parks	Other Local Authorities	45	45	45	45
South West Coast Path & Country Parks	Rural Payments Agency	8	8	8	8
South West Coast Path & Country Parks	Heritage Lottery Fund	42	0	0	0
South West Coast Path & Country Parks	Natural England	112	112	112	112
		232	**190**	**190**	**190**
Total		**774,741**	**757,289**	**754,845**	**754,775**

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

2021/22 £'000	Service and Grant Title	2022/23 £'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
25	Age Concern Barnstaple	25
32	The Olive Tree Association	32
97		**97**
	Adult Commissioning and Health	
27	Recovery Devon	27
47	Devon Recovery Learning	47
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
152		**152**
	Children's Services	
137	University Bursary Grants	139
120	Facilitating Access to Mainstream Activities for Disabled Children's Services	120
257		**259**
	Planning, Transportation and Environment	
49	AONB (East, South and Tamar)	49
40	Dorset & East Devon World Heritage site (Jurassic Coast)	40
25	Cornwall & West Devon Mining Landscape World Heritage site	25
23	South West Energy & Environment group	25
4	Wembury Centre	4
2	Tamar Estuaries consultative forum	2
20	Devon Wildlife Trust Nature Improvement Area Project	20
40	Devon & Cornwall Rail Partnership	40
248	Community bodies - Transport Ring & Ride	248
451		**453**
	Communities and Other Services	
400	Citizens Advice Bureau	400
62	Devon Communities Together	62
462		**462**
	Highways and Traffic Management	
9	Meldon Viaduct	9
9		**9**
1,428	**TOTAL**	**1,432**

Key Table 7- Staffing Data

	2021/22		2022/23		
	Adjusted Total FTEs	Changes FTEs	Revenue Funded FTEs	Externally Funded FTEs	Total FTEs
Adult Care Operations and Health	1,065	60	1,012	113	1,125
Adult Commissioning and Health	181	18	187	12	199
Adult Care and Health	**1,246**	**78**	**1,199**	**125**	**1,324**
Children's Social Care	1,056	182	916	322	1,238
Education and Learning - School Funding	43	5	0	48	48
Education Learning and Inclusion Services	258	233	397	94	491
Children's Services	**1,357**	**420**	**1,313**	**464**	**1,777**
Communities and Other Services	48	13	33	28	61
Economy, Enterprise and Skills	215	7	73	149	222
Planning, Transportation and Environment	178	10	160	28	188
Public Health	35	10	0	45	45
Community,Health,Environment,Prosperity	**476**	**40**	**266**	**250**	**516**
Chief Exec, HR, Legal and Communications	308	15	322	1	323
Devon Finance Services	315	17	201	131	332
Digital Transformation and Business Supprt	569	1	508	62	570
Organisational Development	20	(6)	14	0	14
Corporate Services	**1,212**	**27**	**1,045**	**194**	**1,239**
Highways and Traffic Management	287	11	296	2	298
Infrastructure Development and Waste	101	11	112	0	112
Highways, Infrastructure and Waste	**388**	**22**	**408**	**2**	**410**
Total	**4,679**	**587**	**4,231**	**1,035**	**5,266**

Explanation of Movements

Adult Care Operations and Health

Increase in safeguarding activity	9
Emergency Duty Team	14
Liberty Protection Safeguards	10
Advanced Practitioner role	4
Reduction in In House Services	(4)
New temporary staff required to support savings plans	27
	60

Adult Commissioning and Health

New temporary staff required to support savings plans	10
European social fund - new externally funded posts	4
Safeguarding and commissioning posts	5
Consolidation of other roles	(1)
	18

Children's Social Care

Additional Deputy Chief Officer and management capacity	4
Front Door transformation and improvement	50
Quality of Practice	4
Systems improvement	17
Early Help Review	19
Increased capacity supporting social workers recruitment and retention	48
Emergency Duty Service redesign	5
Mockingbird Programme and continuing care co-ordination - invest to save	4
Restorative Devon Transformation - grant funded	27
Public Health Nursing Service - grant funded	7
Other net changes - cessation of projects and temporary posts	(3)
	182

Education, Learning and Inclusion Service

<u>General Fund</u>	
Education and Inclusion contract brought in house (from August 2022)	204
Increased capacity - SEND and service transformation	24
Increased capacity - Disabled Children Services	5
<u>Dedicated Schools Grant</u>	
Increased Capacity - service improvement (Hospital school)	5
Review of Early Years and Complex Needs Services	1
Externalisation of Devon Phase Association	(1)
	238

Communities and Other Services

Externally funded - Safer & Stronger Communities	4
Externally funded - Active Devon	2
Safe Accommodation - new Domestic Abuse	4
Safer & Stronger Communities	3
	13

Economy, Enterprise and Skills	
Externally funded - Reduction in Learn Devon posts	(3)
Externally funded - Various projects	6
Temporary roles - Funded from Economic Recovery reserve	4
	7
Planning Tranportation and Environment	
Externally funded - Various projects	7
Temporary roles - Transport co-ordination route review officers	2
Carbon Offsetting officer	1
	10
Public Health	
Externally funded - Core Function	4
Externally funded - Temporary roles	6
	10
Chief Executive, HR, Legal and Communications	
HR - Demand driven increase in employee services	8
HR - Health & Safety	1
Uplift of hours across HR (Strategy & Leadership)	2
Uplift of hours across Legal, Democratic Support and Communications	1
Lieutenancy - Apprentice	1
Legal Services - Adults Senior Lawyer	1
Legal Services - Children's Safeguarding Advocate	1
	15
Devon Finance Services	
Finance Strategy - Systems Development	1
Accountancy Services posts	2
IR35 Compliance post	1
Externally funded - Charging For Care	3
Externally funded - Accountancy Services	2
Externally funded - Devon Audit Partnership	5
Externally funded - Capital projects	2
Externally funded - Pensions	1
	17
Digital Transformation and Business Support	
Increased resilience through leadership capacity	1
	1
Organisational Development	
Cessation of fixed term contracts	(2)
Transfer to Communities	(4)
	(6)
Highways and Traffic Management	
Highways permitting scheme	9
Network Response Technicians	2
	11
Infrastructure Development	
North Devon Link Road project	11
	11
Total	**587**

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 authority to have regard to the report in making its decisions.

There is a requirement to prepare a Capital Strategy in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2021. 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 2022/23 has been set by the detailed assessment of the risks associated with each budget and the goals and objectives of the authority. 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 167 to 189. 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 2022/23 have been set at £15.8 million. This level is based on an assessment of the financial risks facing the authority. Full details of this assessment are provided on page 115.

The authority also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2023 is estimated at £94.6 million. The total for revenue reserves and balances for 2022/23 is forecast as £110.4 million. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2021/22 provides an indication of the pressures facing the authority in 2022/23. In 2021/22 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 authority'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 2022/23 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 2022/23. The total level of reserves and balances has been based on a comprehensive risk assessment and is judged adequate to meet all reasonable forecasts of future liabilities.

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

Angie Sinclair

Capital Programme Overview 2022/23 – 2026/27

The Capital Programme aims to optimise the authority's use of its infrastructure and corporate estate assets, which are necessary to support service delivery and County wide objectives, whilst also minimising any impact upon the revenue budget.

The authority's five year Capital Programme is the realisation of the Capital Strategy, which is shown alongside the authority's Treasury Management and Investment Strategies.

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.

Availability of Resources

A large proportion of the capital programme is supported by external funding sources which include a variety of external capital grants, local contributions from developers and a small amount of revenue contributions, mainly from maintained schools. The size and nature of the Capital Programme is often shaped by the type of grant awarded, restrictions placed on the specific use of the grant, and by the availability of each of these funding sources.

The authority also generates Capital Receipts, which is income generated from the sale of surplus assets. The use of Capital Receipts as a funding source can ensure the authority is able to limit its use of internal or external borrowing. Whilst the planned Capital Programme is fully funded, it is reliant on the successful realisation of planned capital receipts. Unless additional surplus assets are identified to generate new future capital receipts, then the capital programme growth is then reliant on the availability of the authority's cash resources, where new schemes would be funded from internal borrowing.

The policy of not undertaking any new external 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. While cash balances remain relatively high, the Council can continue to internally borrow to meet capital commitments and maintain a measured level of future capital investment. However, should the authority wish to undertake or invest in a major strategic project, and/or there are significant calls on revenue reserves, then this may change the picture. If key priorities cannot be delivered due to a reduced availability of external funding, the authority's cash resources, or capital receipts, then external borrowing may be required.

Future new additions to the capital programme which are not externally funded, will be subject to the availability of the authority's cash resources, its ability to generate capital receipts and any legislative restrictions imposed by Central Government with respect to external borrowing. Any delay or restriction in these two areas of funding may lead to schemes being paused, re-prioritised or removed from the Capital Programme, depending on strategic objectives.

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. Over the five year period between 2022/23 and 2026/27 the Capital Programme will see a net increase of £87.9 million funded in the following ways:

Increase in externally funded projects of £64.2 million, mainly due to the addition of the 2026/27 estimate grant funding. This funding is not guaranteed, and estimates are based on current approved grants and so may vary to actual grants received. Estimates have been included as follows:

- £41.1 million Local Transport Plan (LTP) grant
- £8.1 million Disabled Facilities Grant (DFG)
- £3.6 million estimated LTP Integrated Transport Block grant funding
- £2.0 million in estimated schools grant funding or contributions
- £9.4 million in external funding due to the successful award Sustainable Warmth grant

Increase in Corporately funded capital projects as set out in Table A of £23.7 million, funded by some small amounts of grant or external contribution, but mainly from forecast capital receipts and internal borrowing. Internal borrowing is defined as borrowing from our own cash resources.

The Capital Programme has also seen some reprofiling of existing schemes, which is a net nil impact over the five year period.

Table A - Corporately Funded Increases and Decreases to the Capital Programme

Project	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
New requests for corporate funding						
ICT - Renewal & Replacement	5,240	3,800	200	950	200	**10,390**
Tavistock HWRC	0	417	4,471	950	0	**5,838**
*Building Maintenance - additional funding request **	700	700	700	700	900	**3,700**
County Farms - additional funding request	650	650	250	250	600	**2,400**
Carbon Reduction Plan - Phase II	0	1,000	0	0	0	**1,000**
SCOMIS (ICT)	397	266	54	0	0	**717**
Stover Visitor Centre	20	637	0	0	0	**657**
Children's Accomodation	420	0	0	0	0	**420**
Woodland Vale - En-Suites	40	0	0	0	0	**40**
Adjustments						
DCC Operating Model ICT Replacement and Renewal	(1,500)	(1,000)	(1,000)	(1,000)	(1,000)	**(5,500)**
Continuation of approved schemes into 2025/26						
VELP Fleet - continuation/reprofile	139	(80)	(169)	(102)	1,431	**1,219**
DCC Operating Model ICT Replacement and Renewal	0	0	0	0	1,000	**1,000**
Replace & Upgrade Corporate Estate	0	0	0	0	600	**600**
Flood	0	0	0	0	350	**350**
South Devon Highway	0	17	268	0	0	**285**
Waste - Capital Works	0	0	0	0	220	**220**
Property Enabling Budget	0	0	0	0	150	**150**
VELP - Schools	0	0	0	0	200	**200**
Grants to Foster Carers	0	0	0	0	40	**40**
Youth Service Minor Works	0	0	0	0	37	**37**
Total Increase to Capital Programme	**6,106**	**6,407**	**4,774**	**1,748**	**4,728**	**23,763**

**£2m reduction in revenue budget to offset this increase (£500k per annum for 4 yrs)*

Financed by:	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing - Internal	6,761	3,733	353	848	3,228	**14,923**
External Funding	120	357	0	0	0	**477**
Capital Receipts - General	(775)	2,317	4,421	900	1,500	**8,363**
Total	**6,106**	**6,407**	**4,774**	**1,748**	**4,728**	**23,763**

Table B shows the anticipated future capital receipts, net of disposal costs, against schemes funded from capital receipts. 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 refinanced, rescheduled, or paused if alternative sources of funding cannot be identified.

Table B – Capital Receipts

	Estimated opening balance	Forecast receipts* (net of 4% costs)	Forecast spend	Forecast Slippage (subject to approval)	Estimated closing balance
	£'000	£'000	£'000	£'000	£'000
2021/22	**7,782**	6,170	(18,367)	4,707	292
2022/23	292	14,108	(6,229)	(3,950)	4,221
2023/24	4,221	11,523	(8,105)	(757)	6,882
2024/25	6,882	8,049	(7,752)	0	7,179
2025/26	7,179	-	(3,847)	0	3,332
2026/27	3,332	-	(1,500)	0	**1,832**
		39,850	(45,800)	-	

Table C shows the level of commitments funded by Internal Borrowing (borrowing from the authority's cash resources). This Internal Borrowing is repaid through the minimum revenue provision (MRP) over time and is always subject to the availability of cash resources. Should cash resources become limited in the future, schemes may need to be refinanced, rescheduled, or paused if alternative sources of funding cannot be identified.

The authority also internally borrows to support the Vehicle and Equipment Loans Pool (VELP). These are loans provided to schools and across internal services for the purchase of vehicles and often ICT equipment. This internal borrowing is included in the following table and MRP calculations, where it is then offset by loans repaid to the authority.

Table C – Internal Borrowing

	Internal Borrowing Commitments	*MRP Indicative Annual Impact
	£'000	£'000
2022/23 to 2026/27 Approved and committed	20,382	815
2022/23 New for approval	14,923	597
	35,305	**1,412**

*Minimum Revenue Provision - assumes 25 year repayment period
Actual MRP charge will vary based on actual spend, and attributable MRP policy.

Capital Risk Assessment

Risks to the capital programme and mitigations are set out below, using the following Risk Matrix

LIKELIHOOD					
	6	12	18	24	30
	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	IMPACT				

<table>
<tr><td rowspan="2">Risk Title:

Capital Scheme costs are higher than estimated</td><td>Inherent Score</td><td>Current (Mitigated) Score</td><td>Mitigations</td></tr>
<tr><td>Impact: 3
Likelihood: 5
15 – High</td><td>Impact: 2
Likelihood: 4
8 – Low</td><td rowspan="2">Experts’ advice and qualified professionals are engaged early on
Works which may be susceptible to seasonal variations are programmed during less volatile seasons wherever possible
Projects and the economic climate monitored on a regular basis, and contingency built into major schemes to lessen the overall impact
Unlikely as legal engaged early to draft contracts with default terms clearly communicated and understood
Project boards set up for Major Schemes to try to identify synergies early
Capital Programme may be slowed, paused or schemes halted to mitigate financial impact on the authority</td></tr>
<tr><td colspan="3">Risk Description
Due to:
Inaccurate or overly optimistic original estimates
Unexpected events causing increased costs (either inside or outside of DCC control) – additional supply chain, resources and transportation costs
Economic factors
Default event by either party resulting in litigation
Agreed changes to original scheme scope
Scheme costs may increase, resulting in:
- Unexpected gap to be financed
- Default fines
- Reduction in funds available to other schemes
- Increased internal borrowing or requirement to externally borrow</td></tr>
</table>

Risk Title: **External funding resources are not received**	**Inherent Score** Impact: 3 Likelihood 4 12 – Medium	**Current (Mitigated) Score** Impact: 2 Likelihood: 3 6 – Low	**Mitigations**
Risk Description Due to: • Expectations around future funding based on prior year funding and current economic climate • Lack of signed agreements from central government and other bodies • Changes to central government priority/policy determining where funds are directed or the funds available to bid for Capital funding • The expected levels of funding may not be achieved, resulting in a shortfall for the delivery of planned works/schemes.			• The level of internal borrowing required to finance the capital programme is monitored, and in accordance with borrowing limits • The availability of cash resources to support internal borrowing is monitored • Capital programme is re-prioritised. Capital projects re-engineered, paused or deferred • External funding balances are monitored monthly, including capital receipts • Triggers are monitored for S106 and CIL payments • Bi monthly monitoring of the capital programme by the Programme Group • Regular monitoring by Director of Finance

Risk Title: **Capital Programme is not delivered as planned**	**Inherent Score** Impact: 3 Likelihood 6 18 – High	**Current (Mitigated) Score** Impact: 3 Likelihood: 4 12 – Medium	**Mitigations**
Risk Description • Delays and longer-term delivery dates, particularly for Major Schemes with multiple funding and partners, due to: • Time taken to achieve planning consent, public consultation, environmental factors • Availability of resource / specialist contractors • Design re-engineering • Contractual variations • Seasonal variations			• Development of a medium-term capital programme (MTCP) that can realistically be delivered to the time scales agreed • Mitigate delays by bringing forward the planned start dates of future projects in the MTCP • The Capital Programme Group provide challenge (including to financial forecasts) and support to the Capital Programme delivery • Regular monitoring by Director of Finance • Projects are monitored at a service level and board level

Risk Title:	**Inherent Score**	**Current (Mitigated) Score**	**Mitigations**
Capital Receipts arising later or lower than forecast	Impact: 3 Likelihood 4 12 – Medium	Impact: 2 Likelihood: 4 8 – Low	• Alternative funding sources, for example internal borrowing may be sought • The potential to borrowing externally may be considered • Capital schemes may be deferred, if receipts are generated later than forecast, or for a reduced sum. • Proceeds from the sale of assets are closely monitored
Risk Description Forecast capital receipts are estimated by internal officers and advisors based on local market conditions. Receipts may be lower than expected or not realised, including due to: • Sale not taking place • Limited supply of assets for sale • Market climate • Economic impact of COVID-19 pandemic Resulting in a need to reprioritise schemes.			
Risk Title:	**Inherent Score**	**Current (Mitigated) Score**	**Mitigations**
Risk of government funding to other geographical areas	Impact: 3 Likelihood 4 12 – Medium	Impact: 2 Likelihood: 4 8 – Low	• Projects and the economic climate monitored on a regular basis. • Contingency built into major schemes to lessen the overall impact. • The level of internal borrowing required to finance the capital programme is monitored, and in accordance with borrowing limits. • External funding balances are monitored monthly, including capital receipts. • Triggers are monitored for S106 and CIL payments. • Monitoring of the capital programme by the Programme Group. • Regular monitoring by Director of Finance • Monitoring by individual project and programme groups.
Risk Description Central government priority/policy determines where funds are directed or funds available to bid for. Action taken by Central Government to mitigate the effects of the Covid-19 pandemic, the withdrawal from the EU, or for example the redirection of funding to the North of the UK, may result in a reduction in funding for the South West or less opportunity for the authority to bid for funding.			

<table>
<tr><td>Risk Title:</td><td>Inherent Score</td><td>Current (Mitigated) Score</td><td>Mitigations</td></tr>
<tr><td>Capital Project aborted due to external forces</td><td>Impact: 3
Likelihood 4
12 – Medium</td><td>Impact: 2
Likelihood: 3
6 – Low</td><td rowspan="2">• Effort is made to ensure that a project is not aborted
• Alternatives will be investigated to ensure service needs are met by meeting capital objectives, whilst minimising a risk that abortive capital costs impact the revenue budget
• If it is not possible to avoid aborting the project, the normal revenue mitigations of in-year savings and use of earmarked reserves and balances, may be used
• Process re-engineering or pausing a project whilst alternative funding sources are identified are possible mitigations allowable under the Local Government Code of Practice
• Monitoring by Capital Programme Group
• Regulator monitoring by Director of Finance
• Monitoring by individual project and programme groups</td></tr>
<tr><td colspan="3">Risk Description
Should funding be revoked, or an alternative solution be preferred, a capital project may be aborted. This can present an opportunity for resource to be redirected if the project is no longer needed (no adverse impact), or to re-prioritise, or identify alternative funding source.

A project may also be aborted as a result of a change in legislation for the service, for example requiring an alternative delivery method, or if an alternative solution is preferred.</td></tr>
</table>

The Medium Term Capital Programme

The County will be investing over £485.9 million in Devon over the next 5 years. The latest forecast of the programme analysed by funding sources is shown in Table D. The funding available in forecast years will change as Government policies and grant allocations are published.

Table D - Medium Term Capital Programme Summary £485.948 million.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Adult Care and Health	11,598	8,345	8,345	8,295	8,295
Children's Services	2,032	2,070	2,040	2,040	2,040
Communities, Public Health, Environment and Prosperity	93,526	58,484	9,774	7,722	5,446
Corporate Services	8,609	6,716	2,504	3,200	2,450
Highways, Infrastructure Development and Waste	49,396	46,044	48,823	44,802	43,352
Total	**165,161**	**121,659**	**71,486**	**66,059**	**61,583**

Funding Source	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Borrowing - Internal	18,575	6,162	622	950	1,597
Borrowing - Internal Forward Funding	0	452	269	0	0
Borrowing - VELP	1,678	1,309	1,336	1,446	1,631
Capital Receipts - General	6,229	8,105	7,752	3,847	1,500
Direct Revenue Funds - Services	500	500	500	500	500
External Funding - Contributions	6,511	3,473	0	0	0
External Funding - Grants	127,539	95,531	60,405	58,856	56,355
External Funding - S106	4,129	6,127	602	460	0
Total	**165,161**	**121,659**	**71,486**	**66,059**	**61,583**

Detailed Medium Term Capital Programme 2022/23 – 2026/27

The following tables detail the Medium Term Capital Programme for each service, and how that programme is being funded.

Adult Care and Health

Total Approval (includes prior years)	Project	2022/23	2023/24	2024/25	2025/26	2026/27
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Adult Care Operations and Health					
3,000	Replacement for 20 St George's Road	1,000	0	0	0	0
N/A	Care Teams Accommodation & Equipment	50	50	50	0	0
N/A	Estimated Disabled Facilities Grant	8,245	8,245	8,245	8,245	8,245
4,330	Integrated Adult Care & Finance System	2,165	0	0	0	0
40	Woodland Vale, Ensuites	40	0	0	0	0
N/A	Works for ACO&H Provider Services	98	50	50	50	50
	Adult Care Operations and Health Total	**11,598**	**8,345**	**8,345**	**8,295**	**8,295**
	Adult Care & Health Total	**11,598**	**8,345**	**8,345**	**8,295**	**8,295**
	Financed by:					
	Borrowing - Internal	40	0	0	0	0
	Capital Receipts - General	3,165	0	0	0	0
	External Funding - Grants	8,393	8,345	8,345	8,295	8,295
	Total	**11,598**	**8,345**	**8,345**	**8,295**	**8,295**

* Total Scheme Approvals have been included for individual projects only, not for programmes.

This table does not show expenditure on capital projects currently programmed in financial year 2021/22 which may be deferred to 2022/23 or future years.

Children's Services

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Children's Social Care					
N/A	Grant to foster carers	73	70	40	40	40
	Children's Social Care Total	**73**	**70**	**40**	**40**	**40**
	Education & Learning					
N/A	Devolved Formula Capital (DFC)	1,050	1,050	1,050	1,050	1,050
N/A	External contribution to school projects	150	150	150	150	150
N/A	External Grants to school projects	50	100	100	100	100
N/A	School budget share contribution to school projects	509	500	500	500	500
N/A	Vehicle Equipment Loans Pool (VELP)	200	200	200	200	200
	Education & Learning Total	**1,959**	**2,000**	**2,000**	**2,000**	**2,000**
	Childrens Services Total	**2,032**	**2,070**	**2,040**	**2,040**	**2,040**
	Financed by:					
	Borrowing - Internal	0	0	0	0	40
	Borrowing - VELP	200	200	200	200	200
	Capital Receipts - General	73	70	40	40	0
	Direct Revenue Funds - Services	500	500	500	500	500
	External Funding - Grants	1,259	1,300	1,300	1,300	1,300
	Total	**2,032**	**2,070**	**2,040**	**2,040**	**2,040**

* Total Scheme Approvals have been included for individual projects only, not for programmes.

This table does not show expenditure on capital projects currently programmed in financial year 2021/22 which may be deferred to 2022/23 or future years.

Community, Health, Environment and Prosperity

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Economy, Enterprise and Skills					
500	Economic Recovery Programme	250	0	0	0	0
2,590	North Devon Enterprise Centre - Phase 2	500	1,090	0	0	0
	Economy, Enterprise and Skills Total	**750**	**1,090**	**0**	**0**	**0**
	Planning, Transportation and Environment					
	Large and Major Highway Schemes					
2,680	A379 Sandy Park Junction Newcourt, Exeter	1	0	0	0	0
3,800	Long Lane widening and new link road on Silverdown Office Park	500	0	0	0	0
67,629	North Devon Link Road	25,630	12,592	871	460	0
110	River Taw pedestrian and cycle bridge, Barnstaple	110	0	0	0	0
3,793	Safer Roads Fund A3121	1,257	0	0	0	0
117,999	South Devon Highway	1,504	448	752	0	0
55,140	South West Exeter Housing Infrastructure Fund	17,940	21,966	0	0	0
5,700	Tiverton Eastern Urban Extension Phase 1	5	0	0	0	0
8,200	Tiverton Eastern Urban Extension Phase 2	4,989	3,016	0	0	0
	Large and Major Highway Schemes Total	**51,936**	**38,022**	**1,623**	**460**	**0**
	LTP					
N/A	Local Transport Plan (LTP) Integrated transport block	3,496	3,628	3,628	3,628	3,628
	LTP Total	**3,496**	**3,628**	**3,628**	**3,628**	**3,628**
	Environment					
2,000	Carbon Reduction Programme	1,000	1,000	0	0	0
342	Connecting the Culm (part of Co-Adapt)	16	0	0	0	0
N/A	Flood Prevention Works	350	350	350	350	350
7,031	Sustainable Warmth - Home Upgrade Grant (HUG1)	7,031	0	0	0	0
2,431	Sustainable Warmth - Local Authority Delivery (LAD)	2,431	0	0	0	0
	Environment Total	**10,828**	**1,350**	**350**	**350**	**350**

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Schools Expansion					
N/A	Advanced Design Fees	150	150	0	0	0
12	Ashburton Primary School - Additional Classroom	3	0	0	0	0
2,424	Axminster Primary School, phased expansion to 420	1,193	1,100	0	0	0
420	Childrens Accomodation - Barnes & Welland House	420	0	0	0	0
N/A	Confirmed Basic Need Allocation	260	297	3,000	2,000	0
625	Cullompton Community College - Multi Use Games Area	525	0	0	0	0
3,971	Exeter Creative Free School Contribution	0	3,971	0	0	0
3,487	Exmouth Community College Expansion	0	1,853	0	0	0
500	Great Torrington School - New teaching block and re-modelling works	400	0	0	0	0
150	Honiton Primary School - Phased Expansion	0	100	0	0	0
1,477	Ivybridge College - Additional Accommodation	0	1,477	0	0	0
46	Kenn CofE Primary School, energy reduction scheme	0	34	0	0	0
362	Kingsteignton – New School Contribution	181	0	0	0	0
175	Mill Water School - Extension	115	0	0	0	0
1,766	Monkerton Primary - Contribution	701	0	0	0	0
95	Ottery St Mary Primary School	95	0	0	0	0
582	Pilton Community College - Additional Accommodation	0	582	0	0	0
242	Proposed New Primary School, West Barnstaple	18	200	0	0	0
1,604	Roundswell Primary - Contribution	670	0	0	0	0
894	Seaton Primary School - expansion and improvements	304	571	0	0	0
100	Sidmouth Primary - Expansion to PAN 90	0	100	0	0	0
1,454	South Molton Community College - phased expansion	874	0	0	0	0
400	South Molton Community College - Support Accommodation	100	300	0	0	0
768	Uffculme Primary Academy Add Classrooms	739	0	0	0	0
50	Westcliff School - Expansion to 420	0	50	0	0	0
474	Willowbank Primary Expansion to PAN60	100	0	0	0	0
1,506	West Clyst Primary	1,506	0	0	0	0
	Childrens & Strategic Schools Programme Total	**8,354**	**10,785**	**3,000**	**2,000**	**0**

Total Approval (includes prior years)	Project	2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
	SEND Programme					
700	Ace Tiverton Special School	700	0	0	0	0
136	Bodley House BIS0442 Convert for SEN	36	100	0	0	0
81	Charlton Lodge, Tiverton - SEND Provision	31	50	0	0	0
4,208	Lampard School - Expand to 180	2,670	0	0	0	0
1,700	Marland Day - Additional Accomodation Bideford	1,000	700	0	0	0
10,950	Okehampton Special School	7,810	1,513	0	0	0
3,081	Orchard Manor Special School, expansion	1,000	0	0	0	0
100	River Dart Academy - Dartington School site development	0	100	0	0	0
2,300	SW Devon Special School	2,300	0	0	0	0
	SEND Programme Total	**15,547**	**2,463**	**0**	**0**	**0**
	Commissioning Services For Communities					
N/A	Youth service minor capital works	37	37	37	37	37
590	Library modernisation partnership schemes - Bideford	1,000	0	0	0	0
N/A	Library estate RFID / self service	50	0	0	0	0
N/A	Library management system replacement	50	0	0	0	0
N/A	Vehicle Equipment Loans Pool - Fleet management	1,478	1,109	1,136	1,247	1,431
	Commissioning Services For Communities Total	**2,615**	**1,146**	**1,173**	**1,284**	**1,468**
	Communities, Health, Environment & Prosperity Total	**93,526**	**58,484**	**9,774**	**7,722**	**5,446**
	Financed by:					
	Borrowing - Internal	11,393	3,692	637	0	387
	Borrowing - VELP	1,478	1,109	1,136	1,246	1,431
	Capital Receipts - General	470	3,198	771	387	0
	External Funding - Contributions	6,511	3,116	0	0	0
	External Funding - Grants	69,545	41,242	6,628	5,629	3,628
	External Funding - S106	4,129	6,127	602	460	0
	Total	**93,526**	**58,484**	**9,774**	**7,722**	**5,446**

* Total Scheme Approvals have been included for individual projects only, not for programmes.

This table does not show expenditure on capital projects currently programmed in financial year 2021/22 which may be deferred to 2022/23 or future years.

Corporate Services

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Information and Communications Technology					
N/A	Babcock Laptops	276	0	0	0	0
N/A	DCC Operating Model ICT Replacement and Renewal	5,240	3,800	200	950	200
717	SCOMIS - Disaster Recovery	397	266	54	0	0
	Information and Communications Technology Total	**5,913**	**4,066**	**254**	**950**	**200**
	County Farms Estate					
N/A	County Farms Estate Enhancement Programme	1,000	1,000	600	600	600
	County Farms Estate Total	**1,000**	**1,000**	**600**	**600**	**600**
	Corporate Property Estate					
N/A	Building Maintenance	900	900	900	900	900
N/A	Property Enabling Budget	150	150	150	150	150
N/A	Replace and Upgrade Corporate Estate	600	600	600	600	600
1,259	Solar Carports (DELETTI)	46	0	0	0	0
	Corporate Property Estate Total	**1,696**	**1,650**	**1,650**	**1,650**	**1,650**
	Corporate Services Total	**8,609**	**6,716**	**2,504**	**3,200**	**2,450**
	Financed by:					
	Borrowing - Internal	6,262	2,516	254	950	950
	Capital Receipts - General	2,301	4,200	2,250	2,250	1,500
	External Funding - Contributions	0	0	0	0	0
	External Funding - Grants	46	0	0	0	0
	Total	**8,609**	**6,716**	**2,504**	**3,200**	**2,450**

* Total Scheme Approvals have been included for individual projects only, not for programmes.

This table does not show expenditure on capital projects currently programmed in financial year 2021/22 which may be deferred to 2022/23 or future years.

Highways, Infrastructure Development and Waste

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Schools Maintenance and Improvements					
	Committed Works					
45	Bassett's Farm Primary Sch Hot water Heater	8	0	0	0	0
93	Beaford Community Primary & Nursery Sch - Block 01 replace windows & renew render. Replace sports flooring.	18	0	0	0	0
24	Berrynarbor CofE Primary Sch - Block 01 replace kitchen ventilation hood & provide gas detection	5	0	0	0	0
92	Bishops Nympton Primary Sch - Blk 01 Rewire. Blk 02 Replace alarm. Blk 04 Replace cladding & door	18	0	0	0	0
89	Brampford Speke CofE Primary Sch - Block 01 Replace windows, doors & replace flat roof	18	0	0	0	0
53	Canada Hill Community Primary Sch - Block 01 replace suspended ceiling & renew tarmac	10	0	0	0	0
32	Cheriton Fitzpaine Primary School - Hot water & BMS	6	0	0	0	0
36	Copplestone Primary School - Block 01 replace suspended ceiling	6	0	0	0	0
27	Countess Wear Community School - Replace drainage pipe in playground	5	0	0	0	0
47	Cullompton Community College - Water Heaters	10	0	0	0	0
N/A	DDA projects (contingency)	250	0	0	0	0
123	Doddiscombsleigh Community Sch - Blk 01 kitchen doors, WC & Storeroom windows. Blk 04 cladding	25	0	0	0	0
50	East The Water Community Primary School - Block 01 Upgrade incoming electrical service	11	0	0	0	0
460	Great Torrington Bluecoat CofE Primary Sch - Block 01 pitched roof replacement	86	0	0	0	0
33	Gulworthy Primary Sch - Block 01 above girls WC-Partial renew al of flashings/valleys, partial re-roof & scaffolding	6	0	0	0	0
38	Halberton Primary Sch - Block 06 Replace windows & replace gas heater	8	0	0	0	0
182	Hatherleigh Community Prim - Blk 01 windows. Blk 02 replace timber skirt, cladding, fascias, windows & doors	36	0	0	0	0
170	Hayward's Primary Sch - Block 01 roofing	34	0	0	0	0
49	Highweek Primary - Block 01 Replace Central Heating boiler	9	0	0	0	0
24	Ilfracombe Infant and Nursery Sch - Replace retaining wall	5	0	0	0	0
16	Kenn CofE Primary Sch - Adaption Works	3	0	0	0	0
81	Kentisbeare CofE Primary - Blk 01 replace lighting, windows & door/frame. Refurbish Fascias & Bargeboards	16	0	0	0	0
9	Kilmington Primary Sch - replace flooring	2	0	0	0	0
50	King Edw ard VI Community College - Block 05 renew wet heating	10	0	0	0	0
65	King Edw ard VI Community College - Renew tarmac	13	0	0	0	0
177	Ladysmith Infants Sch - Renew wet heating system, pipes & radiators	35	0	0	0	0
175	Ladysmith Infants Sch, Nursery Redevelopment (previously external refurbishment of Block 03)	35	0	0	0	0
106	Littleham CofE Primary Sch - Reinforce wall around WPD. Block 01 replace flat roof at nursery area	22	0	0	0	0
124	Marland Primary Sch - Block 01 Replace windows & doors	21	0	0	0	0
N/A	MUMIS (contingency)	180	0	0	0	0

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
52	New town Primary Sch - Block 02 renewal of fascias	10	0	0	0	0
158	Payhembury CofE Primary Sch - Block 01 replace timber windows, door/frame & replace night storage heaters	30	0	0	0	0
21	Pilton Infants Sch - Infill basement	4	0	0	0	0
164	Plymtree CofE Primary Sch - Blk 01 ext. refurb, windows & fire door. Blk 02 Replace ceiling, windows & doors	33	0	0	0	0
314	Sandford Primary Sch - Blk 01 Ext refurb & toilet refurb. Blk 02 windows. Blks 03 & 04 fascias. Blk 05 velux rooflight	63	0	0	0	0
N/A	Schs capital maintenance (contingency)	1,655	0	0	0	0
49	Seaton Primary Sch - Replace Sewage Pumping System	10	0	0	0	0
52	Shaugh Prior Primary Sch - Block 02 renew fascias & soffits. Block 02 replace roof	10	0	0	0	0
50	Shute Community Primary Sch - Block 02 replace flat roof	11	0	0	0	0
160	Silverton Primary Sch - Adaption works	32	0	0	0	0
84	Stoke Canon CofE Primary Sch - Block 01 replace window s & doors	15	0	0	0	0
93	Stoke Hill Junior Sch - Renew playground tarmac & pedestrian paths	20	0	0	0	0
46	Tavistock Community College - Accessible changing space	9	0	0	0	0
600	The Castle Primary Sch / Elmore Church, Tiverton - Replacement wall	0	138	0	0	0
58	The Erme Primary Sch - Block 01 External refurb & replace North & West Elevation windows	12	0	0	0	0
78	Thorverton CofE Primary Sch - Flat Roof Replacement	16	0	0	0	0
189	Tiverton High Sch - Heating/Ventilation upgrades	38	0	0	0	0
43	Tiverton High Sch - Lift Refurbishment	9	0	0	0	0
655	Tiverton High Sch - roof replacement	115	0	0	0	0
280	West Croft Sch - Blk 01 partial replace flat roof & fascias/soffits. Blk 201 Replace rooflight. Blk 212 Guttering	55	0	0	0	0
417	West Exe Nursery Sch - Block 01 Roof replacement	83	0	0	0	0
289	Whitchurch Community Primary Sch - Block 01 pitched roof replacement	22	0	0	0	0

Total Approval (includes prior years) £'000	Project	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Planned Works					
329	Bassets Farm Primary - Block 01 flat roof	329	0	0	0	0
82	Bishops Tawton Primary - Block 06 Refurbishment. Boundary Wall	82	0	0	0	0
49	Bovey Tracey Primary Sch - replacement windows	49	0	0	0	0
72	Clyst St Mary Pri - Blk 01 render, doors & load bearing components	72	0	0	0	0
49	Decoy Primary - Various work to Blocks 01, 04, 05 & 09	49	0	0	0	0
42	Ellen Tinkham Sch - Fire Doors and Fire Compartmentation Work	42	0	0	0	0
53	Hazeldown School - Mechanical Ventilation, fans, CO Detec & heating pipework	53	0	0	0	0
1,096	Heathcoat Primary - Main Block Re-Roof	1,096	0	0	0	0
43	Honiton Primary Sch - Fire Doors and Fire Compartmentation Work	43	0	0	0	0
201	Instow Community Pri - Tarmac, Blk 02 refurbish, Blks 03 & 04 timber skirting	201	0	0	0	0
82	Ladysmith Infants - Block 01 renew windows	82	0	0	0	0
37	Lympstone CE Pri - Render, doors and timber skirt	37	0	0	0	0
38	Marpool Primary - Paving slabs, service chamber benching & tarmac	38	0	0	0	0
22	Marwood School - Blk 01 Gable End Purlin	22	0	0	0	0
60	Pathfield School - Fire Doors and Fire compartmentation Work	60	0	0	0	0
912	Pilton Infants School - Replace Blocks 03, 04 & 05	912	0	0	0	0
105	Seaton Primary - Various work to Blocks 01, 06, 10 & 12	105	0	0	0	0
9	St Michaels CE Pri Kingsteignton - Boundary wall & Blk 01 doors	9	0	0	0	0
95	Tavistock Primary Sch - Fire Doors and Fire Compartmentation Work	95	0	0	0	0
163	The Grove Primary - Blk 01 windows, roof walkway decking & rainwater goods	163	0	0	0	0
101	Thorverton CE Pri - Various work to Blocks 01 & 02. Boundary Wall.	101	0	0	0	0
33	Withycombe Raleigh CE Pri - Walls, footpaths and steps	33	0	0	0	0
38	Woolsery Primary - Upgrade fire alarm and CO Detection	38	0	0	0	0
N/A	Estimate Capital Maintenance - SCA Grant	0	3,500	3,000	2,500	2,000
	Schools Maintenance and Improvements Total	**6,874**	**3,638**	**3,000**	**2,500**	**2,000**
	Waste					
5,838	Tavistock Household Waste Recycling Centre	0	417	4,471	950	0
N/A	Waste Recycling Centre - Capital works	220	220	220	220	220
	Waste Total	**220**	**637**	**4,691**	**1,170**	**220**
	Highways					
N/A	Local Transport Plan (LTP) Maintenance	41,132	41,132	41,132	41,132	41,132
8,673	Street Lighting LED	860	0	0	0	0
657	Stover Discovery Centre	20	637	0	0	0
N/A	DfT Traffic Signal Maintenance Bid	290	0	0	0	0
	Highways Total	**42,302**	**41,769**	**41,132**	**41,132**	**41,132**
	Highways, Infrastructure Development and Waste Total	**49,396**	**46,044**	**48,823**	**44,802**	**43,352**

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Financed by:					
Borrowing - Internal	880	405	0	0	220
Capital Receipts - General	220	637	4,691	1,170	0
External Funding - Contributions	0	357	0	0	0
External Funding - Grants	48,296	44,645	44,132	43,632	43,132
Total	**49,396**	**46,044**	**48,823**	**44,802**	**43,352**

* Total Scheme Approvals have been included for individual projects only, not for programmes.

This table does not show expenditure on capital projects currently programmed in financial year 2021/22 which may be deferred to 2022/23 or future years.

Leadership Group Commentary

Over the course of the last two years the Council has worked with other organisations to respond to and manage the impacts of COVID-19. As a community leader and part of Team Devon it has had new responsibilities for addressing issues such as food poverty, financial hardship and shielding. During that time the pressures on health, social care and children's services have increased. Those pressures have been exacerbated by the fragility of the care market and difficulties of recruiting key workers. The Council's finances and workforce remain under significant pressure and strain.

Looking ahead, our focus for the next 12 months as Leadership Team will be to listen, learn and lead on different and sustainable ways to support the health and wellbeing of the whole county and enable greater financial resilience for the Council.

The Team will also play a key role in leading on the Council's Strategic Plan for 2021 to 2025 [The best place - Strategic Plan (devon.gov.uk)] which describes the overall ambitions for Devon to become the best place to:

- Grow up - We are committed to being a child friendly Devon where all children and young people are safe, healthy, ambitious, and can fulfil their potential.
- Live well - We are committed to being a fairer Devon: inclusive, compassionate and caring, where everyone is safe, connected and resilient.
- Prosper - We are committed to being a greener and prosperous Devon, with opportunities to create a sustainable future for all.

The Strategic Plan 2021-2025 has six priorities:

- Respond to the climate emergency.
- Be ambitious for children and young people.
- Support sustainable economic recovery.
- Tackle poverty and inequality.
- Improve health and wellbeing.
- Help communities be safe, connected and resilient.

For each of those priorities, the Strategic Plan sets out the areas of focus for the next four years. In April 2022, the Council will publish its Annual Plan for 2022/23 which will describe the main actions for the next 12 months and the specific activities to deliver or work towards achievement of priorities and outcomes.

On 2nd February 2022 DLUHC published the Levelling Up White Paper. The Government's Levelling Up ambitions include County Deals which will build on its support for high streets, towns and local infrastructure as part of a longer-term devolution offer. The detailed framework and scope for County Deals will be included in White Paper. More details are shown on page 93.

As a Leadership Team we will ensure that the Council continues to play a leading role in the Devon's response to the climate emergency, through the Interim Devon Carbon Plan and actions to implement the resolutions from the Citizens' Assembly.

The Council will continue to work with national, regional and local partners to find ways to address the workforce challenges facing adult social care. This includes changes and improvements to pay and conditions, training, development and career progression. Support for family and unpaid carers is also essential so that everyone who provides care and support is enabled to live a good life.

The Council will also be playing a part in tackling the county's housing crisis through the creation of a new Team Devon strategic housing task force in partnership with Devon's district, town and parish councils and other key partners such as Homes England. The Council will also look at whether it can offer accommodation to key workers to attract them to work for the authority and lobby MPs to press for tax loopholes on holiday rental homes to be tightened up.

The way that the Council works will change during 2022/23 to reflect the Strategic Plan's aims for it to be:

- A trusted council – that shows leadership, brings people together and collaborates well with our partners; a Council that makes good decisions, uses resources well, and is financially resilient.
- An inclusive council – that is intolerant to prejudice and discrimination, is a good employer that invests in, develops and nurtures our workforce, and hears the voices of all our communities.
- An innovative council – that is agile, listens and learns, uses data and intelligence well, and can transform the way we work in order to improve services for the people of Devon.

As a Leadership Team, our membership, role and responsibilities will change during Spring 2022 to unlock the potential of individuals, teams and the organisation. These changes will reflect the principles and behaviours which apply to everyone at every level of the organisation.

Adult Care and Health

How the 2022/23 Budget has been built up

	2021/22 Adjusted Budget	Changes	2022/23 Outturn Budget
	£'000	£'000	£'000
Adult Care Operations and Health	253,467	28,517	281,984
Adult Commissioning and Health	29,827	1,117	30,944
Total	**283,294**	**29,634**	**312,928**

Reasons for changes in Revenue Budget	**Change £'000**
Technical and Service Changes	
Inflation and National Living Wage	15,020
Adult Services demographic and demand pressures	27,506
Disabilities invest to save - investment in disability resources	1,538
Investment in Emergency Duty Service	750
National Insurance levy	2,659
Liberty Protection Safeguards - advocacy costs and investment in autism services	402
	47,875
Savings Strategies	
Supporting people with disabilities to live more independently and to reduce their dependence over time	(1,417)
Reduction in care and support for older people	(3,491)
Reduction in care and support for people with physical disabilities	(768)
Reduction in care and support for people with learning disabilities	(3,018)
Reduction in care and support for people with mental health services	(497)
One off NHS contribution to Adult Social Care	(8,000)
Savings on prevention contracts and fees	(700)
Introduction of charging costs for arranging self funder care and improvements to non residential charging processes	(350)
	(18,241)
Total	**29,634**

Analysis of Total Expenditure 2022/23

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Adult Care Operations and Health	371,027	(29,087)	(59,956)	0	281,984
Adult Commissioning and Health	34,716	(3,293)	(479)	0	30,944
Total	**405,743**	**(32,380)**	**(60,435)**	**0**	**312,928**

Adult Care Operations and Health

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Disability Services				
2,134	Day Opportunities	2,792	(77)	**2,715**	581
19,504	Direct Payments	23,534	(4,057)	**19,477**	(27)
42,011	Enabling/Other	47,909	(1,730)	**46,179**	4,168
2,273	Nursing Care	3,016	(424)	**2,592**	319
9,214	Personal Care	14,149	(4,589)	**9,560**	346
34,541	Residential Care	43,334	(4,551)	**38,783**	4,242
109,677		134,734	(15,428)	**119,306**	9,629
8,621	**Improved Better Care Fund**	8,621	0	**8,621**	0
	In House Services				
4,301	Day Opportunities	4,427	(17)	**4,410**	109
4,187	Reablement and Reaching For Independence	5,227	(899)	**4,328**	141
3,765	Residential Care	4,362	0	**4,362**	597
12,253		14,016	(916)	**13,100**	847
	Older People				
1,085	Day Opportunities	644	(41)	**603**	(482)
6,747	Direct Payments	8,931	(2,888)	**6,043**	(704)
3,352	Enabling/Other	4,702	(685)	**4,017**	665
19,378	Nursing Care	34,305	(10,485)	**23,820**	4,442
17,681	Personal Care	36,040	(16,095)	**19,945**	2,264
47,227	Residential Care	94,043	(38,908)	**55,135**	7,908
95,470		178,665	(69,102)	**109,563**	14,093
26,650	**OP&D Care Management**	34,183	(3,597)	**30,586**	3,936
796	**Workforce Development**	808	0	**808**	12
253,467		**371,027**	**(89,043)**	**281,984**	**28,517**

Analysis of changes:	**£'000**
Technical and Service Changes	
Demographic and other growth in demand	26,947
Inflation and National Living Wage	13,996
New staff required to support savings plans	948
Investment in Emergency Duty Service	750
National Insurance levy	2,413
	45,054
Savings Strategies	
Reduction in care and support for older people	(3,491)
Reduction in care and support for people with physical disabilities	(768)
Reduction in care and support for people with learning disabilities	(3,018)
One off NHS contribution to Adult Social Care	(7,493)
Supporting people with disabilities to live more independently and to reduce their dependence over time	(1,417)
Introduction of charging costs for arranging self funder care and improvements to non residential charging processes	(350)
	(16,537)
Total	**28,517**

Service Commentary

Service Context

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

Additionally, the service provides adult social care services which DCC continues to directly deliver, rather than commission from the independent sector. These include several different establishments throughout the county which provide services to older people and people with disabilities.

Included in the Operations budget is £35.5 million of the Better Care Fund, and the Improved Better Care Fund. The deployment of the Improved Better Care Fund is subject to joint agreement with NHS partners. It is for the benefit of health and social care overall but used for the purposes of:

- meeting adult social care needs
- reducing pressures on the NHS – including reducing delayed transfers of care
- stabilising the social care provider market

Budget Impact 2022/23

Delivery of a balanced budget carries a lot of risk. £7.3 million of savings will require significant changes and may impact on the timeliness of assessment, market sufficiency, our ability to both contribute to partnership working and promote early support approaches. Ultimately, the successful delivery of the budget will require a reduction to the care and support which people are currently receiving. The indicative magnitude of change is shown in the service statistics information below. Note, the eventual numbers of reductions by the end of 2022/23 will vary depending on how quickly changes can be made.

Investment in staffing is required this year to support:

- service reconfigurations to respond to heightened complexity
- new and increased statutory duties
- workforce capacity to manage savings requirements

Responding to the Omicron variant and the legacy of the pandemic risks severely hampering the preparation of plans, which comes at a time when the care and support that people generally require now is increasingly more intense, complex and expensive for us to buy.

Service Statistics and Other Information

		Number of people budgeted to receive service Average through Year		
		2021/22	**Change**	**2022/23**
Reablement (across all client groups)	Service Users/Agreements	3,150	0	3,150
These are new people expected to go through the reablement process				
Disability Services (incl. Autistic Spectrum)				
Day Opportunities	Service Users/Agreements	265	22	287
Direct Payments	Service Users/Agreements	1,469	(30)	1,439
Enabling	Service Users/Agreements	1,725	95	1,820
Nursing Care (including Respite)	Service Users/Agreements	49	3	52
Personal Care	Service Users/Agreements	911	(39)	872
Residential Care (including Respite)	Service Users/Agreements	608	(25)	583
Older People and Disability - In house				
Day Opportunities	Service Users/Agreements	60	(17)	43
Residential Care (including Respite)	Service Users/Agreements	47	0	47
Reaching for Independence	Service Users/Agreements	940	0	940
Older People				
Day Opportunities	Service Users/Agreements	290	(148)	142
Direct Payments	Service Users/Agreements	657	(88)	569
Enabling	Service Users/Agreements	398	28	426
Nursing Care (including Respite)	Service Users/Agreements	566	56	622
Personal Care	Service Users/Agreements	2,525	(290)	2,235
Residential Care (including Respite)	Service Users/Agreements	2,054	(28)	2,026

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Adult Commissioning and Health

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Adult Commissioning and Health				
4,962	Centrally Managed Contracts	5,537	(544)	**4,993**	31
1,277	Policy, Performance and Involvement	1,318	0	**1,318**	41
3,887	Strategic Commissioning	4,696	(454)	**4,242**	355
1,366	Transformation	1,449	(20)	**1,429**	63
11,492		13,000	(1,018)	**11,982**	490
	Mental Health Services				
4,052	Care Management	4,619	(435)	**4,184**	132
534	Day Opportunities	745	(169)	**576**	42
812	Direct Payments	838	(36)	**802**	(10)
6,315	Enabling/Other	8,096	(1,287)	**6,809**	494
145	Nursing Care	113	0	**113**	(32)
206	Personal Care	438	(147)	**291**	85
6,271	Residential Care	6,867	(680)	**6,187**	(84)
18,335		21,716	(2,754)	**18,962**	627
29,827		**34,716**	**(3,772)**	**30,944**	**1,117**

Analysis of changes:	**£'000**
Technical and Service Changes	
Demographic and other growth in demand	559
Inflation and National Living Wage	1,024
National Insurance levy	246
Liberty Protection Safeguards - advocacy costs	300
Investment in autism services	102
New staff required to support savings plans	590
	2,821
Savings Strategies	
Reduction in care and support for people with mental health services	(497)
One off NHS contribution to Adult Social Care	(507)
Savings on prevention contracts and fees	(700)
	(1,704)
Total	**1,117**

Service Commentary

Service Context

Local authorities have a statutory requirement to meet the needs of people eligible for care, to support them and their carers, and to fund care for those people with needs who meet financial eligibility criteria. The Adult Commissioning and Health team work with NHS colleagues to assess the strategic health and social care needs of the Devon population, and ensure there are solutions to meet those needs through integrated commissioning and joined up services.

Commissioners work with the independent sector, helping to shape the local market to encourage quality, choice and sufficiency of provision. Local authorities have a responsibility to ensure care is maintained where a provider fails financially and services cease – for everyone, including self-funders, to ensure people's needs can continue to be met. This is undertaken by working with the Care Quality Commission to assure and improve quality along with managing contractual provider relationships to ensure their delivery, and consultation with people including carers and families.

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

The team are also responsible for commissioning intelligence, statutory returns and surveys, internal performance management, and involvement in sector-led improvement; for commissioning and operational policy development and strategic planning; and engaging the users of our services and their carers.

Budget Impact 2022/23

The key challenges for Adult Commissioning and Health in the year ahead will be:

a) Delivery of planned savings in Mental Health – Delivery of a balanced budget carries a lot of risk. The proposed reductions mirror the scale of reductions required across older people and disability services and similarly, there will need to be reductions to the care and support which people are currently receiving. The scale of reductions has been estimated and reflected in the following service statistics, but the eventual numbers of reductions by the end of 2022/23 will vary depending on how quickly changes can be made. Planning service changes whilst responding to the omicron variant presents an additional challenge.

b) To maintain market sufficiency at a time when labour shortages are presenting a challenge to providers across the whole care and health system. The COVID-19 pandemic has exacerbated workforce sufficiency concerns and this effect is likely to continue for some time even as the pandemic subsides.

Service Statistics and Other Information

		Number of people budgeted to receive service Average through Year		
		2021/22	**Change**	**2022/23**
Mental Health Services				
Day Opportunities	Service Users/Agreements	21	(6)	15
Direct Payments	Service Users/Agreements	135	(11)	124
Enabling	Service Users/Agreements	629	21	650
Nursing Care (including Respite)	Service Users/Agreements	4	(1)	3
Personal Care	Service Users/Agreements	33	2	35
Residential Care (including Respite)	Service Users/Agreements	177	(17)	160

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Children's Services

How the 2022/23 Budget has been built up

	2021/22 Adjusted Budget	Changes	2022/23 Outturn Budget
	£'000	£'000	£'000
Children's Social Care	94,007	14,426	108,433
Education and Learning - School Funding	0	0	0
Education Learning and Inclusion Services	65,029	2,686	67,715
Total	**159,036**	**17,112**	**176,148**

Reasons for changes in Revenue Budget	**Change £' 000**
Technical and Service Changes	
Inflation and National Living Wage	4,217
Demographic and demand pressures	9,752
Transformation and Improvement	14,818
	28,787
Savings Strategies	
Invest to save and demand management	(4,977)
Additional grant funding Domestic Abuse services	(145)
Transport review	(5,553)
Route reviews of Home to School transport	(1,000)
	(11,675)
Total	**17,112**

Analysis of Total Expenditure 2022/23

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Children's Social Care	129,932	(7,146)	(822)	(13,531)	108,433
Education and Learning - School Funding	678,016	(676,841)	(137)	(1,038)	0
Education Learning and Inclusion Services	73,297	(3,945)	(645)	(992)	67,715
Total	**881,245**	**(687,932)**	**(1,604)**	**(15,561)**	**176,148**

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Children's Social Care					
Atkinson	4,344	(422)	(3,234)	(688)	0
Education Learning and Inclusion Services					
Devon Education Services - Traded Services	4,200	0	(4,200)	0	0
Total	**8,544**	**(422)**	**(7,434)**	**(688)**	**0**
Grand total	**889,789**	**(688,354)**	**(9,038)**	**(16,249)**	**176,148**

Children's Social Care

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Corporate Parenting Service				
1,826	Adopt South West	1,861	0	**1,861**	35
813	Adoption Allowances and Fees	805	0	**805**	(8)
280	Child Arrangements and Private Kinship	271	0	**271**	(9)
1,193	Contracts	1,229	0	**1,229**	36
3,657	Corporate Parenting Teams	3,812	0	**3,812**	155
4,285	Fostering Team	4,554	0	**4,554**	269
3,332	Special Guardianship Orders	3,349	0	**3,349**	17
1,086	Supervised Contact Service	1,115	0	**1,115**	29
16,472		16,996	0	**16,996**	524
	Early Help (Access)				
921	Emergency Duty Team	1,357	(154)	**1,203**	282
1,031	Multi Agency Safeguarding Hub	1,110	0	**1,110**	79
541	REACH	557	0	**557**	16
2,493		3,024	(154)	**2,870**	377
	Early Help (Provision)				
1,679	Early Help Co-Ordination	5,571	(2,280)	**3,291**	1,612
720	Youth Offending - Statutory and Prevention	1,704	(951)	**753**	33
2,399		7,275	(3,231)	**4,044**	1,645
	Placements				
4,580	Disabled Children's Placements	6,271	(1,014)	**5,257**	677
8,341	Independent Fostering	8,001	0	**8,001**	(340)
2,143	Independent Post 18 Placements	2,106	(5)	**2,101**	(42)
18,807	Independent Residential Care	21,751	(2,346)	**19,405**	598
5,546	Independent Supported Accommodation	6,313	(122)	**6,191**	645
10,591	Internal Fostering	10,333	(8)	**10,325**	(266)
425	Internal Post 18 Placements	752	(480)	**272**	(153)
653	Secure Accommodation	735	(26)	**709**	56
402	Unaccompanied Asylum Seeking Children	1,174	(916)	**258**	(144)
51,488		57,436	(4,917)	**52,519**	1,031
179	**Public Health Nursing**	10,983	(10,804)	**179**	0
1,753	**Quality Assurance Reviewing Safeguarding**	2,169	0	**2,169**	416
	Social Work Teams				
0	Bridges	2,425	0	**2,425**	2,425
13,798	Social Work Teams	21,111	0	**21,111**	7,313
13,798		23,536	0	**23,536**	9,738
5,425	**Strategic Management and Legal Costs**	8,513	(2,393)	**6,120**	695
94,007		**129,932**	**(21,499)**	**108,433**	**14,426**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	2,225
Transformation and Improvement	
Front Door transformation and improvement	2,850
Quality of practice and systems improvement	916
Early Help and Supporting Families	1,505
Social worker recruitment and retention	4,900
Invest to save: multi-disciplinary intervention and family support	2,553
Growth and demand pressures	4,599
	19,548
Savings Strategies	
Invest to save and demand management	(4,977)
Additional grant funding Domestic Abuse services	(145)
	(5,122)
Total	**14,426**

Service Commentary

Children’s Social Care

This service brings together the statutory duties of the Council in relation to children in need, children in need of protection, children in our care and care experienced young people. It includes a range of services to support children, and their families, at the earliest opportunity to prevent needs or risks increasing, and to avoid whenever it is safe to do so, the need for children to come into our care.

The budget for 2022/23 includes significant investment in restructuring to improve both the quality, and sustainability, of our services. There is a considerable focus on the MASH, the earliest point of contact with children and families, to ensure they receive the right help at the lowest level of intervention, reducing the need for more complex, costly, or repeated interventions. The recruitment and retention of experienced staff is the cornerstone of our improvement work and investment in staffing is a priority in this budget. Funding from the Department for Education is supporting the further development, and embedding, of restorative practice in Devon.

Service Statistics

Children's Social Care	Unit of Measurement	Number of people budgeted to receive service Average through Year 2021/22	Change	2022/23
Children in Care				
External Residential	Service Users	107	(7)	100
Internal Fostering Placements	Service Users	450	(41)	409
External Fostering Placements	Service Users	173	(13)	160
Foster to Adopt	Service Users	9	(3)	6
External Supported Lodgings/Housing	Service Users	41	6	47
Internal Residential Special School	Service Users	5	2	7
Medical Establishment	Service Users	1	0	1
Placed For Adoption	Service Users	23	3	26
Placed with Parents	Service Users	27	0	27
Other Placements	Service Users	5	4	9
Secure Welfare	Service Users	2	(0)	2
Remand / Custody	Service Users	1	(1)	0
Unaccompanied Asylum Seeking Children	Service Users	23	(12)	11
Total Children in Care		**867**	**(62)**	**805**

Other Children's Services	Unit of Measurement	2021/22	Change	2022/23
Staying Put/Care Leavers	Service Users	120	(32)	88
Adoption Allowances	Full Year Equivalents	80	(2)	78
Special Guardianship Order Allowances	Full Year Equivalents	405	110	515
Residence/Child Arrangement Order Allowances	Full Year Equivalents	36	(2)	34

Education Learning and Inclusion Services

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Disabled Children Services				
8,668	Children In Need Short-Break Services	9,836	(1,042)	**8,794**	126
2,337	Contracts	2,360	(23)	**2,337**	0
3,506	Social Work Area Teams	3,892	(154)	**3,738**	232
14,511		16,088	(1,219)	**14,869**	358
	Infrastructure				
772	Admissions, Data and Strategic Management	1,049	(223)	**826**	54
45	Legal Disbursements	87	0	**87**	42
1,201	Teachers Pension - Historic Enhancements	1,267	0	**1,267**	66
2,018		2,403	(223)	**2,180**	162
	School Improvement Inclusion and Safeguard				
2,165	Improve Outcomes Disadvantaged Children	2,355	(19)	**2,336**	171
4,197	Inclusion (Including SEN)	5,636	(601)	**5,035**	838
1,215	Quality Service and Provision	2,189	(974)	**1,215**	0
807	Safeguarding Every Learner	607	0	**607**	(200)
8,384		10,787	(1,594)	**9,193**	809
	School Transport				
0	Home to College	81	(81)	**0**	0
13,878	Home to School	14,675	(131)	**14,544**	666
19,125	Personalised Transport	19,865	(85)	**19,780**	655
33,003		34,621	(297)	**34,324**	1,321
512	**Vulnerable Groups and Virtual School**	790	(261)	**529**	17
6,601	**Children's Centres and Early Years Servs**	8,608	(1,988)	**6,620**	19
65,029		**73,297**	**(5,582)**	**67,715**	**2,686**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	1,992
Transformation and Improvement	
SEND Service redesign	514
EHCP Care Timeliness & Educational Psychologists for Inclusion	180
Growth and demand in School Transport	6,553
	7,247
Savings Strategies	
Transport review	(5,553)
Route reviews of Home to School transport	(800)
Independent Travel Training	(200)
	(6,553)
Total	**2,686**

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 to deliver a range of specialist support for inclusion services, admissions, home to school transport, safeguarding in schools, maintained schools, education support for children with special needs and vulnerable groups of children, as well as disabled childrens social care services including the provision of short breaks and respite care.

Through its Transport Coordination Service Devon manages school transport alongside public, health and social care transport. This coordinated approach is national recognised as the best way to provide an integrated, cost effective transport service. However, the regulatory and operational pressures remain high and together with external market pressures caused by COVID-19, this is putting pressure on bus, coach, and taxi operators.

The cost of Personalised School Transport continues to rise due to ongoing increases in the number of children requiring complex transport arrangements. This has also led to increased journey times for many students in order to access their nearest appropriate provision.

Service Statistics

Transport	Unit of Measurement	2021/22	Change	2022/23
School/College Transport	Pupil Numbers p.a.	12,633	15	12,648
Personalised Transport	Pupil Numbers p.a.	1,976	231	2,207
Shortbreak Services and Direct Payments for Disabled Children	Service Users	1,654	(21)	1,633

Education and Learning (School Funding)

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Schools				
25,920	Academy Grants	21,265	0	**21,265**	(4,655)
262,840	Primary Schools	280,053	0	**280,053**	17,213
2,714	Pupil Growth	2,736	0	**2,736**	22
208,424	Secondary Schools	222,031	0	**222,031**	13,607
499,898		526,085	0	**526,085**	26,187
	De-Delegated Schools Budget				
110	Facilitation and Representation	110	0	**110**	0
631	Licences and Subscriptions	779	0	**779**	148
398	Maternity	398	0	**398**	0
63	School Intervention Fund	63	0	**63**	0
566	Schools and DSG Contingency	566	0	**566**	0
1,007	Targeted Specialist Services	1,007	0	**1,007**	0
2,775		2,923	0	**2,923**	148
	Central Provision Within Schools Budget				
476	Admissions	574	(84)	**490**	14
1,651	Other DSG Services	1,739	(87)	**1,652**	1
292	Phase Associations	292	0	**292**	0
855	Support Services	940	(85)	**855**	0
873	Termination of Employment Costs	873	0	**873**	0
4,147		4,418	(256)	**4,162**	15
	High Needs Budget				
6,515	Alternative Provision	6,795	(30)	**6,765**	250
1,470	Children In Care and Inclusion	1,536	0	**1,536**	66
318	Hospital Education Services	574	0	**574**	256
334	Inclusion	334	0	**334**	0
5,836	Mainstream SEN - Further Education	6,684	0	**6,684**	848
36,973	Maintained and Academy Special Schools	36,972	(338)	**36,634**	(339)
1,164	Nursery Plus	1,164	0	**1,164**	0
44,230	Other Special School Fees	47,326	(438)	**46,888**	2,658
1,397	Recoupment	2,545	(722)	**1,823**	426
144	Safeguarding Every Learner	144	0	**144**	0
19,297	SEN Mainstream	21,675	0	**21,675**	2,378
932	SEN Services	933	0	**933**	1
1,500	SEN Support	1,500	0	**1,500**	0
2,153	Support Centre Funding	2,563	(36)	**2,527**	374
122,263		130,745	(1,564)	**129,181**	6,918
39,641	**Early Years Budget**	40,870	(113)	**40,757**	1,116
	Schools Funding				
(588,784)	Dedicated Schools Grant (DSG)	0	(634,441)	**(634,441)**	(45,657)
(19,498)	Other School Grants	0	(15,222)	**(15,222)**	4,276
(1,240)	Post 16 Funding	0	(1,287)	**(1,287)**	(47)
(25,214)	Pupil Premium	0	(25,133)	**(25,133)**	81
(634,736)		0	(676,083)	**(676,083)**	(41,347)
(33,988)	**Transfer to DSG Deficit Reserve**	(27,025)	0	**(27,025)**	6,963
0		**678,016**	**(678,016)**	**0**	**0**

Analysis of changes:	**£'000**
Additional investment for children with complex needs	6,918
Net changes to mainstream school budgets due to increase in Schools Funding Block and demographic changes	31,005
Net changes to Early years funding due to increase in Early Years funding and demographic changes	1,116
Increase in DSG and other grants arising from National Funding Formula changes and demographic changes.	(33,161)
Increase in DSG due to baseline changes to the High Needs block and demographic changes.	(12,496)
Net change of Academy Grant funding due to Teachers Pay & Pension Grant now part of DSG	(4,655)
Reduction to Other School Grants due to Teachers Pay & Pensions Grant now part of DSG	4,276
Net movement in Other Grant funding	34
Reduction to Unfunded High Needs Block deficit (Funding shortfall)	6,963
Total	**0**

Service Commentary

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

Funding for Devon County Council's maintained schools is delegated and managed by the individual schools, in the same way as Academies, therefore the staffing data does not include the 8,413 staff working in these schools.

Within the DSG a significant cost pressure continues to relate to the High Needs service. This is largely due to the continued rise in the number of children with an Education Health and Care plan and a year on year increase in demand for the use of higher cost Independent settings. Whilst Devon supports a higher than average percentage of children in our mainstream settings we have not recently had sufficient state funded special school provision to meet the demands placed upon it; this has resulted in more independent places needing to be commissioned. A further cost pressure relates to the provision of appropriate school, and sometimes care placements, for pupils with complex educational and physical needs which can be significant and volatile.

Significant investment by the council and the DfE (through the Free Schools Programme) has recently increased the number of places in our special schools. It is estimated the special school estate will increase by 48% between 2020 and 2024, 525 additional places including three new schools.

Service Statistics

Number of local authority maintained schools and academies	**Number of organisations**	**Number of Schools**
Local Authority Maintained Schools		**176**
Federations	29	82
Management Partnerships	13	36
% of schools actively collaborating		67%
Free Schools		**14**
Academies		**181**
Number of schools in multi-academy trusts/collaborations		180
% of academies in multi academy trusts / collaborations		92%
Total all schools and academies		**371**

Number of pupils in academy and LA maintained schools	**Unit of Measurement**	**Census Oct-2020**	**Change**	**Census Oct-2021**
Nursery Schools (Universal Entitlement 15 hours)	Pupil Numbers PTE	141	(5)	136
Nurseries within Primary Schools (Universal Entitlement 15 hours)	Pupil Numbers PTE	2,217	(42)	2,175
		2,358	**(47)**	**2,311**
Primary	Numbers on Roll	30,784	(401)	30,383
Secondary	Numbers on Roll	5,343	47	5,390
Post 16	Numbers on Roll	282	45	327
		36,409	**(309)**	**36,100**
Number of pupils in academy schools				
Primary	Numbers on Roll	23,507	140	23,647
Secondary	Numbers on Roll	30,368	228	30,596
		53,875	**368**	**54,243**
Number of pupils in Free schools				
Primary	Numbers on Roll	952	349	1,301
Secondary	Numbers on Roll	437	67	504
		1,389	**416**	**1,805**
Total number of pupils in LA maintained schools, academies and free schools				
Nursery Schools	Pupil Numbers PTE	2,358	(70)	2,288
Primary	Numbers on Roll	55,243	88	55,331
Secondary	Numbers on Roll	36,148	342	36,490
Post 16 (maintained only)	Numbers on Roll	282	45	327
		94,031	**405**	**94,436**
Percentage of pupils in academy schools				
Primary	Numbers on Roll	44.3%	0.8%	45.1%
Secondary	Numbers on Roll	85.2%	0.0%	85.2%

Early Years Education Provision		**2021/22**	**Change**	**2022/23**
Early Years Independent Provision (Universal entitlement 15 hours)	Pupil Numbers PTE	7,527	(222)	7,305
Early Years Entitlement Take up	Percentage of eligible children	97.1%	0.0%	97.1%
3 and 4 Year old additional 15 hours for all sectors	Pupil Numbers PTE	3,905	39	3,944
Disadvantaged two year olds	Pupil Numbers PTE	1,373	16	1,389

Young People with Additional Needs		**2021/22**	**Change**	**2022/23**
Pupils with Education Health Care Plans in Mainstream provision (pre 16)	Number of young people	3,382	90	3472
Educated Other Than At School	Number of young people	150	46	196
Maintained and Academy Special Schools (pre 16 and post 16)	Number of budgeted Places	1,485	125	1,610
Independent Special Schools (pre 16 and post 16)	Number of budgeted Places	957	195	1,152
Further Education	Number of Budgeted Places	712	85	797
Inter-Authority recoupment	Net number of Exported Pupils	101	35	136
Import / export adjustments for local authorities	Net number of Exported Pupils	449	54	503
Alternative Provision	Number of Planned Places	270	19	289

Communities, Public Health, Environment and Prosperity

How the 2022/23 Budget has been built up

	2021/22 Adjusted Budget	Changes	2022/23 Outturn Budget
	£'000	£'000	£'000
Communities and Other Services	12,790	533	13,323
Economy, Enterprise and Skills	4,912	632	5,544
Planning, Transportation and Environment	22,578	(202)	22,376
Public Health	0	0	0
Total	**40,280**	**963**	**41,243**

Reasons for changes in Revenue Budget	**£' 000**
Technical and Service Changes	
Inflation and National Living Wage	1,052
Implementing Domestic Abuse and Environment Act	1,540
Funding for bus services previously paid under S106	434
Carbon offsetting	71
Broadband UK Connecting Devon and Somerset phase 2	112
Skypark Development	600
	3,809
Savings Strategies	
Reduction in Locality budgets	(120)
One-Year alternative grant funding for Community contracts	(462)
Reduction in community grant and crowdfunding schemes	(329)
Concessionary travel pandemic subsidy reduction	(1,000)
Concessionary travel volume reduction	(258)
One off efficiencies, additional income or funding from other sources	(314)
Permanent efficiencies and additional income	(363)
	(2,846)
Total	**963**

Analysis of Total Expenditure for 2022/23

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Communities and Other Services	14,837	(101)	(361)	(1,052)	13,323
Economy, Enterprise and Skills	9,268	(80)	(3,029)	(615)	5,544
Planning, Transportation and Environment	25,530	(1,079)	(1,389)	(686)	22,376
Public Health	30,045	(29,985)	0	(60)	0
Total	**79,680**	**(31,245)**	**(4,779)**	**(2,413)**	**41,243**

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Communities and Other Services					
Active Devon	1,572	(1,472)	(11)	(89)	0
Refugee Resettlement	322	(322)	0	0	0
Economy, Enterprise and Skills					
Building Better Opportunities Focus 5	342	(342)	0	0	0
Developing Entrepreneurship In Schools	27	(23)	0	(4)	0
EU - North Devon Enterprise Centre	65	(65)	0	0	0
Exeter Youth Hub	18	(18)	0	0	0
Growth Hub	568	0	(464)	(104)	0
Lead Authority Role - Levelling Up	4,457	(4,457)	0	0	0
Learn Devon	3,840	(3,787)	(53)	0	0
Service For All	495	(271)	(180)	(44)	0
Planning, Transportation and Environment					
AONB Blackdown Hills	225	(209)	0	(16)	0
AONB North Devon	196	(179)	0	(17)	0
Devon Maritime Forum	36	(5)	(26)	(5)	0
Exe Estuary Partnership	36	(24)	(2)	(10)	0
Low Carbon Energy and Transport (DELETTI)	32	(19)	0	(13)	0
NHS Patient Transport Advice Service	3,563	(66)	(3,466)	(31)	0
Other Countryside Projects	1,107	(1,062)	0	(45)	0
South West Coast Path Team	92	(92)	0	0	0
Transport Co-Ordination Service	2,974	(1,146)	(1,810)	(18)	0
Total	**19,967**	**(13,559)**	**(6,012)**	**(396)**	**0**
Grand total	**99,647**	**(44,804)**	**(10,791)**	**(2,809)**	**41,243**

Communities and Other Services

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Commissioning Services For Communities				
803	Heritage Centre and Devon Records Office	821	(10)	**811**	8
7,127	Library and Information Service	7,371	(322)	**7,049**	(78)
1,830	Youth Services	1,907	(57)	**1,850**	20
9,760		10,099	(389)	**9,710**	(50)
	Planning and Insight				
0	Community Safety and Violence Prevention	2,200	(800)	**1,400**	1,400
269	Emergency Planning	319	(43)	**276**	7
122	Research, Intelligence and Performance	125	0	**125**	3
391		2,644	(843)	**1,801**	1,410
	Safer and Stronger Communities				
972	Commissioning / Grants	233	0	**233**	(739)
1,067	Community	1,381	(282)	**1,099**	32
600	Locality	480	0	**480**	(120)
2,639		2,094	(282)	**1,812**	(827)
12,790		**14,837**	**(1,514)**	**13,323**	**533**

Analysis of Changes:	**£'000**
Technical and Service changes	
Inflation and National Living wage	224
Implementing Domestic Abuse Act	1,400
	1,624
Savings Strategies	
Reduction in Locality budgets	(120)
One-Year alternative grant funding for Community contracts	(462)
Reduction in community grant and crowdfunding schemes	(329)
Reduction in service contracts - Inflationary award and Resource fund	(90)
Staffing costs - new funding sources and rephasing recruitment	(90)
	(1,091)
Total	**533**

Service Commentary

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

This includes:

- Commissioning of Devon's youth services, support around domestic and sexual violence, and library and heritage services;
- Community safety and co-ordination of work and partnerships to tackle serious violence and vulnerability; and statutory co-ordination to prevent extremism and radicalisation;
- Leading the council's response to food insecurity and wider aspects of poverty;
- Community development across the County and its links to the Council's priorities; and
- Work to support a range of communities including the Armed Forces Covenant partnership, the Syrian & Afghan families resettlement programme, gypsies, and travellers and through Active Devon, accessing and increasing physical activity across the County.

Additionally, during 2021 the Communities team led several key responses to the COVID-19 pandemic in Devon including the distribution of significant grants to support people and families in hardship, such as the Household Support Fund (£5 million), and around £400,000 of funds in small grants to organisations at the front line of community led COVID-19 responses and recovery. This work will continue in 2022/23. The team deployed a rapid, agile, and now ongoing response to provide 'bridging' accommodation in Devon to around 150 Afghan refugees.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2021/22 Estimate	Change	2022/23 Estimate
Libraries				
Static Libraries	No.	50	0	50
Mobile Libraries	No.	4	0	4
PCs available with public access	No.	323	0	323
Stock issues	No.	2,200,000	200,000	2,400,000
Membership	No.	110,000	(15,000)	95,000
Youth Service				
Organisations supported	No.	90	0	90
Young people registered	No.	4,150	850	5,000
Heritage Service				
Searchroom visits	No.	5,223	(1,723)	3,500
Volunteer hours	No.	8,046	(3,046)	5,000
Accessions and new deposits	No.	345	0	345

Economy, Enterprise and Skills

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Business Support and Innovation				
347	Business Growth Support	547	(226)	**321**	(26)
1,894	Trading Standards	4,255	(2,304)	**1,951**	57
2,241		4,802	(2,530)	**2,272**	31
	Economic Infrastructure and Development				
1,032	Economic Development	1,390	(264)	**1,126**	94
(15)	Industrial Estates	702	(153)	**549**	564
1,017		2,092	(417)	**1,675**	658
	Employment and Skills				
104	Labour Market Development	879	(657)	**222**	118
1,550	Post 16 Provision	1,495	(120)	**1,375**	(175)
1,654		2,374	(777)	**1,597**	(57)
4,912		**9,268**	**(3,724)**	**5,544**	**632**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation and National Living wage	104
Broadband UK Connecting Devon and Somerset phase 2	112
Skypark development	600
	816
Savings Strategies	
Realignment of service priorities	(94)
One off project income	(40)
Efficiencies - Post 16 transitions contract	(50)
	(184)
Total	**632**

Service Commentary

This service supports creating productive, inclusive, and sustainable growth across the Devon economy and leads on responding to economic shocks, working with a range of public and private partners. It leads on delivering regulatory services through the Heart of the South West Trading Standards Service, delivers a range of adults and young people skills programmes and supports a range of infrastructure programmes including workspace and broadband. It provides a strategic overview of the Devon economy and works with Team Devon and a wide range of local and national partners to secure investment opportunities. The key priorities for the service are:

- Leading response and recovery to economic shocks, working with public and private sector;
- Delivering careers, advice and guidance for young people and adults, including our statutory duties for those moving on from education;
- Raising aspirations and opportunities for our young people through promoting apprenticeships, internships and work placements and delivering adult basic skills and community learning;
- Stimulating innovation and business support including encouraging new business start-ups, social enterprises, and business competitiveness;
- Developing growth sectors including clean energy, Agri-tech, digital, food and tourism, and bringing forward key employment sites;
- Protecting communities and consumers, in particular the most vulnerable, and supporting businesses by ensuring a safe, fair, responsible, sustainable, and competitive trading environment;
- Securing investment and external funding into Devon;
- Working with partners to develop plans for local places including regeneration, urban renewal, utilising joint assets and levelling up; and
- Leading on an economic evidence base and analysis to support growth strategies and influencing national and local policies impacting on growth and skills.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2021/22 Estimate	Change	2022/23 Estimate
Trading Standards (Shared Service)				
Business premises on Trading Standards database	No.	76,800	2,800	79,600
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	16,400	400	16,800
Learn Devon				
Learn Devon - Enrolments	No.	5,500	500	6,000

Planning, Transportation and Environment

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Environment Service				
660	Environment Policy	1,001	(197)	**804**	144
824	Flood Risk and Surface Water	808	(3)	**805**	(19)
604	Projects and Partnerships	685	(8)	**677**	73
2,088		2,494	(208)	**2,286**	198
	Planning and Transportation				
497	Development Management	1,400	(988)	**412**	(85)
2,722	Planning and Transportation	2,887	(108)	**2,779**	57
3,219		4,287	(1,096)	**3,191**	(28)
	Public and Community Transport				
2,220	Fleet Services	2,273	(127)	**2,146**	(74)
8,615	National Concessionary Travel Scheme	7,643	(15)	**7,628**	(987)
4,901	Public Transport Support	6,602	(1,062)	**5,540**	639
1,535	Transport Co-Ordination Service	2,231	(646)	**1,585**	50
17,271		18,749	(1,850)	**16,899**	(372)
22,578		**25,530**	**(3,154)**	**22,376**	**(202)**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation and National Living wage	724
Funding for bus services previously paid under S106	434
Carbon offsetting	71
Implementing Environment Act	140
	1,369
Savings Strategies	
Concessionary travel pandemic subsidy reduction	(1,000)
Concessionary travel volume reduction	(258)
Fleet services efficiencies	(130)
One off efficiencies - Planning and Transport	(83)
Increased income - Planning and Environment	(100)
	(1,571)
Total	**(202)**

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. The responsibility for planning schools' infrastructure, sustainable travel and road safety also resides in this team along with the flood and coastal risk management functions.

The Environment Team are responsible for progressing the climate change agenda where we are working with a number of stakeholders as well as progressing our own range of initiatives.

The Transport Co-ordination team work closely with the Public Transport operators to provide a range of services across the County. The range of services involved include subsidised bus services, concessionary fares, community transport, fleet management and services to education, adults, and the NHS. The coming year sees opportunities with a possible increase in funding from government to enhance the bus service in the county, but it also sees threats due to the decrease in patronage and revenue for bus companies due to COVID-19.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2021/22 Estimate	Change	2022/23 Estimate
Planning, Transportation & Environment				
County Matter applications	No.	40	5	45
County Council development applications	No.	30	5	35
Sustainable drainage consultations for major development	No.	500	20	520
Land drainage consents	No.	90	20	110
Public Transport				
Local bus services contracts	No.	120	0	120
Ring and Ride community transport schemes	No. of schemes	15	0	15
Community buses	No.	8	0	8
Fare car supported taxi schemes	No. of schemes	8	(2)	6

Public Health

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Public Health				
2,229	Children 5-19 Public Health Programmes	2,229	0	**2,229**	0
860	Comm Sfty, Violence Prvntn and Social Excl	859	0	**859**	(1)
59	Health At Work	59	0	**59**	0
248	Health Protection	247	0	**247**	(1)
8,406	Mandated 0-5 Children's Services	8,406	0	**8,406**	0
80	National Child Measurement Programme	80	0	**80**	0
459	NHS Health Check Programme	459	0	**459**	0
522	Obesity	878	(278)	**600**	78
708	Other Public Health	752	(44)	**708**	0
180	Physical Activity	178	0	**178**	(2)
25	Public Health Development	25	0	**25**	0
321	Public Health Expert Advice	317	0	**317**	(4)
(29,663)	Public Health Income	0	(29,663)	**(29,663)**	0
737	Public Mental Health	796	(60)	**736**	(1)
7,041	Sexual Health	7,038	0	**7,038**	(3)
1,071	Smoking and Tobacco	963	0	**963**	(108)
5,490	Substance Misuse	5,489	0	**5,489**	(1)
1,227	Support Services	1,270	0	**1,270**	43
0		**30,045**	**(30,045)**	**0**	**0**

Analysis of changes:	**£'000**
Savings Strategies	
Obesity - Planned increase to the Diabetes Social Impact Bond	78
Support Service - Inflationary increase to support costs	43
Reduced demand for tobacco and smoking services	(108)
Various demand led, contract and allocation changes	(13)
	0
Total	**0**

Service Commentary

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

The COVID-19 pandemic has challenged Public Health operationally with a large number of the public health team being devoted to responding to the pandemic. Public Health commissioned services have continued during the year but with many services having to adapt their service delivery model. The pandemic has provided the opportunity to learn and explore how the commissioned services can adapt and develop to meet the needs of the residents, including understanding the opportunities and impact associated with an increased reliance on digital and telephone services.

The initial challenge for 2022/23 is for public health to continue to lead the ongoing response to the pandemic, however there is also a critical role for public health in assessing the impact of COVID-19 on the Devon population, with a clear understanding that the pandemic has impacted disproportionately on the most vulnerable individuals and communities in Devon. Public Health will work with Government, local health and care commissioners and partners to ensure the additional health needs are identified and are reflected in service planning and delivery, but this may require significant work to realign services and contracts.

Looking at the numbers of people public health's commissioned services have seen, there have been some significant changes because of the pandemic.

There is evidence nationally that there has been an increase in alcohol consumption, and which is expected to result in increased service demand next year. Drug use has changed as a result in a change to the drugs market and there has been an increase in the use of recreational drugs. Opiate-only use has declined slightly, in part because Afghan production and supply has dropped.

There has been a significant drop in the numbers of people accessing sexual health services compared to previous years' predictions. This reflects changes in behaviour during lockdown and the fact that there has been reduced capacity in sexual health walk-in services and in General Practice. It is hard to predict with confidence how quickly or to what extent activity will recover to levels seen in previous years, but we do expect demand to rise.

Service Statistics and Other Information

Service/ Activity	**Unit of Measurement**	**2021/22 Estimate**	**Change**	**2022/23 Estimate**
Opiate clients in treatment	Individuals	1,258	(15)	1,243
Non-opiate only clients in treatment	Individuals	133	66	199
Alcohol only clients in treatment	Individuals	576	73	649
Alcohol & non-opiate clients in treatment	Individuals	212	7	219
Genito-urinary medicine patients treated	Individuals	30,194	(7,606)	22,588
Contraception services accessed	Individuals	31,259	(7,330)	23,929

Corporate Services

How the 2022/23 Budget has been built up

	2021/22 Adjusted Budget	Changes	2022/23 Outturn Budget
	£'000	**£'000**	**£'000**
Chief Exec, HR, Legal and Communications	9,263	100	9,363
Devon Finance Services	11,715	0	11,715
Digital Transformation and Business Supprt	18,992	620	19,612
Organisational Development	967	62	1,029
Total	**40,937**	**782**	**41,719**

Reasons for changes in Revenue Budget	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	1,848
Additional staffing resources	353
Loss of income	381
ICT Roadmap top-up & Cyber Security	311
Coroners Inquests	50
Other demographic, contract and service investment	669
	3,612
Savings Strategies	
Staff turnover savings	(1,269)
Removal of funding for capital programme	(500)
Additional income generation	(439)
Reduction in PFI unitary payments	(257)
Reduction in unfunded pension commitments	(245)
Accommodation Review	(120)
	(2,830)
Total	**782**

Analysis of Total Expenditure 2022/23

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Chief Exec, HR, Legal and Communications	30,893	0	(6,171)	(15,359)	9,363
Devon Finance Services	22,972	0	(8,658)	(2,599)	11,715
Digital Transformation and Business Supprt	37,787	(8,905)	(4,795)	(4,475)	19,612
Organisational Development	1,033	0	0	(4)	1,029
Total	**92,685**	**(8,905)**	**(19,624)**	**(22,437)**	**41,719**

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
Devon Finance Services					
Devon Audit Partnership	2,033	0	(2,033)	0	0
Digital Transformation and Business Supprt					
SCOMIS	9,039	0	(2,593)	(6,446)	0
Total	**11,072**	**0**	**(4,626)**	**(6,446)**	**0**
Grand total	**103,757**	**(8,905)**	**(24,250)**	**(28,883)**	**41,719**

Chief Executive, Human Resources, Legal and Communications

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
1,673	**Coroners Service**	1,793	0	**1,793**	120
	Human Resources				
485	Employee Services	16,565	(16,062)	**503**	18
148	Management and Strategy	628	(219)	**409**	261
1,044	Performance	1,076	(5)	**1,071**	27
1,165	Personnel Services Operations	2,243	(1,044)	**1,199**	34
2,842		20,512	(17,330)	**3,182**	340
2,156	**Legal Services**	3,321	(1,200)	**2,121**	(35)
1,169	**Media, Marketing and Communications**	1,403	(291)	**1,112**	(57)
	Other Services				
243	Corporate Management	297	(71)	**226**	(17)
1,916	Cost of Democracy	1,985	(104)	**1,881**	(35)
132	Local Authority Subscriptions	140	0	**140**	8
2,291		2,422	(175)	**2,247**	(44)
(868)	**Registration Service**	1,442	(2,534)	**(1,092)**	(224)
9,263		**30,893**	**(21,530)**	**9,363**	**100**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	407
Growth in demand for HR services - additional staff resource	206
Recruitment Attaction Strategy	100
Children's Safeguarding & Adults Legal Teams - additional staff resouce	85
Coroners Inquests	50
Loss of income from payroll contracts	43
Other demographic, contract and service investment	49
	940
Savings Strategies	
Staff turnover savings	(471)
Registration Service - ceremonies income	(253)
Recruitment advertising income	(116)
	(840)
Total	**100**

Service Commentary

Chief Executive, Legal Services, Human Resources & Communications provides advice, information and support to staff and Members. In addition, it 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. Additionally, the likelihood of ongoing COVID-19 restrictions and the consequences of earlier COVID-19 restrictions will heighten pressure on the Registration, Legal, Human Resources and Communications services; whilst recovery from the pandemic will also require them to meet the changing needs and shape of the Council.

The Human Resources Service assists the Council to recruit, retain and develop staff with the right skills and experience to achieve the strategic purposes of the Council. The service supports the authority by identifying any external developments that will impact on the workforce, including employment related legislative changes.

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, remains a key pressure, as there are substantial demands for support from front-line services that are themselves undergoing significant organisational change.

Further development of the Human Resource Management System (HRMS) has seen the introduction of a recruitment specific module which removed inefficient paper-based processes. Future development will include an integrated Performance Management module.

In addition, Legal Services will be introducing a Case Management System which will improve work efficiency as well as assist officers as the Council moves to new ways of working and remote working.

Service Statistics and Other Information

Coroners Service	Unit of Measurement	2019/20 actual	Change	2020/21 actual *
Caseload	No.	2,424	(442)	1,982
Total inquests opened	No.	392	(34)	358
Natural deaths reported with a Post Mortem	No.	591	(38)	553
Registration Service				
Certificates issued	No.	52,528	(3,369)	49,159

* Latest figures available

Human Resources	Unit of Measurement	2021/22 estimates	Change	2022/23 estimates
Apprentices employed	No.	150	0	150
Payslips p.a	No.	215,000	(2,200)	212,800
DBS checks processed p.a	No.	17,000	3,000	20,000
Answered calls to HR Direct Helpdesk p.a	No.	12,000	(500)	11,500
Answered calls to Payroll Helpdesk p.a	No.	17,000	(500)	16,500
Answered calls to Recruitment Helpdesk p.a	No.	15,000	(3,000)	12,000

Devon Finance Services

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Core Finance Services				
3,280	Accountancy Services	4,459	(1,138)	**3,321**	41
718	Corporate Management and Commissioning	1,604	(884)	**720**	2
1,479	Financial Systems, Processes and Compliance	7,336	(5,813)	**1,523**	44
1,587	Strategic Financial Planning	2,209	(566)	**1,643**	56
7,064		15,608	(8,401)	**7,207**	143
	Other Finance Services				
101	Bank Charges	126	0	**126**	25
102	External Audit	148	0	**148**	46
4,448	Unfunded Pensions	7,090	(2,856)	**4,234**	(214)
4,651		7,364	(2,856)	**4,508**	(143)
11,715		**22,972**	**(11,257)**	**11,715**	**0**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	472
Loss of income	48
Other demographic, contract and service investment	20
	540
Savings Strategies	
Reduction in unfunded pension commitments	(245)
Staff turnover savings	(295)
	(540)
Total	**0**

Service Commentary

In 2021, following the retirement of the County Treasurer, the opportunity was taken to develop the role and move to a Director of Finance. This is more than just a change of title; it is a change to the purpose and culture of Finance. The new vision for Finance sees the team taking on three distinct but interdependent roles:

- Finance the Partner;
- Finance the Enabler of Learning; and
- Finance the Steward.

These roles will see Finance become a strategic enabler providing support and guidance throughout the service lifecycle, developing strategy, improvement plans and change programmes, supporting evidence-based decision making and ensuring rigorous financial appraisals and oversight.

Finance will enable measurement of public value, providing information, evaluation, and insight. It will facilitate learning across the organisation as well as looking outside the organisation to see how Devon compares and to learn from others. Curiosity will become a key part of our culture.

Finance the Steward will see Finance become the central pivot of stewardship across the authority by using clear and effective frameworks of financial controls and procedures. It will ensure appropriate measures are in place to allow the authority to protect itself from fraud and loss and that effective internal audit and risk management is in place and is valued.

Service Statistics and Other Information

		Unit of Measurement	2021/22 estimates	Change	2022/23 estimates
Pensions Administration					
Caseload (DCC pensioners only)					
	High Priority	No.	12,300	1,200	13,500
	Medium Priority	No.	18,300	1,100	19,400
	Low Priority	No.	4,200	200	4,400
Debt Management					
Debtors raised p.a.		No.	90,000	10,000	100,000
Debtors raised p.a.		£000	226,000	11,000	237,000
Aged debt (over 90 days old)		£000	2,700	0	2,700
Aged debt (over 90 days old)		Percentage	1.2	(0.1)	1.1
Payments					
Invoices paid p.a.		No.	400,000	0	400,000
Proportion paid using BACS		Percentage	99.9	0.0	99.9

Digital Transformation & Business Support

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Business Infrastructure				
5,653	Business Services and Support	8,337	(2,531)	**5,806**	153
611	Customer Relations	886	(156)	**730**	119
1,528	Customer Service Centre	1,477	(13)	**1,464**	(64)
2,360	Facilities Management	4,424	(1,969)	**2,455**	95
(6,682)	Private Finance Initiatives	2,094	(8,874)	**(6,780)**	(98)
3,470		17,218	(13,543)	**3,675**	205
	Estates				
1,544	Building Maintenance	1,091	(13)	**1,078**	(466)
1,190	Corporate Estates	1,533	(344)	**1,189**	(1)
(464)	Farms	719	(1,253)	**(534)**	(70)
2,270		3,343	(1,610)	**1,733**	(537)
12,549	**ICT**	15,019	(1,638)	**13,381**	832
703	**Procurement**	2,207	(1,384)	**823**	120
18,992		**37,787**	**(18,175)**	**19,612**	**620**

Analysis of changes:		**£'000**
Technical and Service Changes		
Inflation and National Living Wage	938	
ICT Roadmap top-up & Cyber Security	311	
Reduction in income	290	
Other demographic, contract and service investment	500	
	2,039	
Savings Strategies		
Increased income from Farms Estate	(70)	
Accommodation Review	(120)	
Reduction in PFI unitary payments	(257)	
Staff turnover savings	(472)	
Removal of funding for capital programme	(500)	
	(1,419)	
Total		**620**

Service Commentary

The Digital Transformation and Business Support Service leads and drives the digital transformation agenda. As such a primary focus of the service is to continue to develop a series of digital solutions that will enable citizens and staff to do business with the Council in a modern digital way that primarily meets their needs.

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 so 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), Customer Services Centre, Customer Relations, Information Governance, Digital Transformation and Cyber Security.

In terms of pressures, the key challenge is to ensure efficient and effective service delivery to all front-line services, despite ever increasing demands being placed on Digital Transformation and Business Support from all services within the Council. The growth in demand from Children's Services and Adults Social Care is having a direct impact across a range of services such as Business Support, ICT, Procurement and Property. The ongoing response to the COVID-19 emergency has significantly increased those pressures and is likely to do so well into 2022/23. Recruitment and retention of professional staff across all sectors, but particularly Cyber Security and Digital Technology is increasing the pressure and challenge.

The Service must be developed and evolved to ensure it meets the changing shape of the Council and reflects the lessons learnt through the COVID-19 pandemic, whilst ensuring the Council has a robust and secure foundation on which to operate.

Service Statistics and Other Information

	Unit of Measurement	2021/22 estimates	Change	2022/23 estimates
Property				
DCC owned operational properties (including schools)	No.	452	2	454
The estate valuation based on depreciated replacement costs or market value, (excluding Church Schools)	£m	652	(15)	637
County Farms Estate				
No of Farms	No.	65	0	65
Total acreage	Acres	9,564	(33)	9,531
IT Infrastructure				
Managed Desktops	No.	6,347	(33)	6,314
Networked Sites	No.	219	(12)	207
User accounts (DCC IT systems)	No.	5,555	354	5,909

Organisational Development

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
967	**Organisational Development**	1,033	(4)	**1,029**	62
967		**1,033**	**(4)**	**1,029**	**62**

Analysis of changes:	**£'000**
Technical and Service Changes	
Inflation and National Living Wage	31
Other demographic, contract and service investment	62
	93
Savings Strategies	
Staff turnover savings	(31)
	(31)
Total	**62**

Service Commentary

The Organisational Change and Policy Teams report to the Chief Executive. They work across the whole organisation, and with partners, to help the Council meet its vision of Devon being the best place to grow up, live well and prosper. In 2022/23, the two teams will focus on supporting and challenging the Council to address the priorities in the Council's Strategic Plan and to be trusted, inclusive and innovative in the way it works.

More specifically, the purpose of the Organisational Change Team is to unlock the potential in individuals, teams, and the organisation in order to increase the overall effectiveness of the authority to meet its vision and priorities now and into the future. The priority for the team in 2022/2023 will be to support and challenge leaders to reimagine and redesign our organisation to enable long term financial resilience and transformation.

The Policy Team will continue to support and strengthen collaboration on issues such as the development of a county deal, tackling the housing crisis, and addressing poverty & inequality. It will also continue to work with Devon's Members of Parliament to influence Government policy and legislation.

Highways, Infrastructure Development and Waste

How the 2022/23 Budget has been built up

	2021/22 Adjusted Budget	Changes	2022/23 Outturn Budget
	£'000	**£'000**	**£'000**
Highways and Traffic Management	28,780	(891)	27,889
Infrastructure Development and Waste	28,344	1,091	29,435
Total	**57,124**	**200**	**57,324**

Reasons for changes in Revenue Budget	**Change £' 000**
Technical and Service Changes	
Inflation and National Living Wage	2,565
Growth in household waste	286
Extension of Household Waste Recycling contract	400
Extension of Waste sweepings contract	48
Red diesel tax increase	50
	3,349
Savings Strategies	
Highways maintenance works	(1,805)
Energy savings from Street Lighting LED lamp conversions	(324)
New Highways income streams	(250)
Permitting scheme cost recovery	(120)
Impact of increased waste tonnages on shared savings projects	(450)
Change in organic waste disposal volumes	(100)
Maintenance expenditure for recycling centres and closed landfill sites	(100)
	(3,149)
Total	**200**

Analysis of Total Expenditure for 2022/23

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Highways and Traffic Management	31,029	(118)	(1,219)	(1,803)	27,889
Infrastructure Development and Waste	34,416	0	(4,187)	(794)	29,435
Total	**65,445**	**(118)**	**(5,406)**	**(2,597)**	**57,324**

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

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Highways and Traffic Management					
Highways Permit Scheme	550	0	(550)	0	0
On Street Parking	7,370	(114)	(7,242)	(14)	0
Infrastructure Development and Waste					
Lottery Community Fund - Food Rescue	62	(62)	0	0	0
Total	**7,982**	**(176)**	**(7,792)**	**(14)**	**0**
Grand total	**73,427**	**(294)**	**(13,198)**	**(2,611)**	**57,324**

Highways and Traffic Management

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Highway Maintenance				
4,282	Cyclic Maintenance	4,618	0	**4,618**	336
3,986	Highway Lighting	3,725	0	**3,725**	(261)
633	Maintenance of Public Rights of Way	786	(36)	**750**	117
34	Other Highway Services	167	(133)	**34**	0
546	Retaining Walls and Bridges	296	0	**296**	(250)
3,177	Routine Maintenance	3,554	0	**3,554**	377
6,450	Safety Reaction	5,789	0	**5,789**	(661)
3,720	Winter and Emergencies	3,291	0	**3,291**	(429)
22,828		22,226	(169)	**22,057**	(771)
	Highway Network Management				
5,948	Highway Network Management	8,588	(2,760)	**5,828**	(120)
4	Management and Support	215	(211)	**4**	0
5,952		8,803	(2,971)	**5,832**	(120)
28,780		**31,029**	**(3,140)**	**27,889**	**(891)**

Analysis of Changes:	**£'000**
Technical and Service changes	
Inflation and National Living Wage	1,558
Red diesel tax increase	50
	1,608
Savings Strategies	
Reduced safety defects demand	(700)
Drainage maintenance	(300)
Cyclic cleaning	(100)
Bridges and retaining walls maintenance	(250)
Winter and emergency operations	(455)
Energy savings from Street Lighting LED lamp conversions	(324)
Income from advertising on highways assets	(150)
Introduction of charge for disabled bay applications	(100)
Permitting scheme cost recovery	(120)
	(2,499)
Total	**(891)**

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, through 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 in poor condition. 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, which should enable Devon to maximise Government capital funding. Service discipline on spending enables the service to respond to in-year changes and pressures due, for example, to extreme weather events.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2021/22 Estimate	Change	2022/23 Estimate
Size of Network	Km	12,978	1	12,979
Bridges	No.	3,317	20	3,337
Structural retaining walls (>1.35m height)	No.	1,749	40	1,789
Structural retaining walls (>1.35m height)	Km	126	(7)	119
Street lights total	No.	80,244	383	80,627
Street lights to have been converted to part night lighting	No.	53,886	0	53,886
Rights of way	Km	5,012	0	5,012
Length of road salted	Km	2,664	0	2,664
Illuminated road markings and signs	No.	10,694	689	11,383
Gullies emptied	No.	149,000	0	149,000
Total grass area cut	m^2	7.60 million	0.05 million	7.65 million
Surface dressed	Km	443	(203)	240
Resurfacing / reconstruction	Km	101	(16)	85

Infrastructure Development and Waste Management

2021/22 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2022/23 Outturn Budget £'000**	2022/23 Net Changes £'000
	Infrastructure Development				
196	Compliance Surveys - School Buildings	196	0	**196**	0
(237)	Engineering and Design Group	666	(762)	**(96)**	141
83	Schools Estates Work	83	0	**83**	0
42		945	(762)	**183**	141
	Waste Disposal and Recycling				
14,397	Disposal of Statutory Waste	18,646	(3,918)	**14,728**	331
1,440	Landfill Tax on Disposal	1,440	0	**1,440**	0
323	Other Site Related Costs	225	(2)	**223**	(100)
6,389	Recycling Centres	6,977	0	**6,977**	588
4,753	Recycling Credits	4,861	0	**4,861**	108
859	Waste Management	914	(32)	**882**	23
141	Waste Minimisation Activities	408	(267)	**141**	0
28,302		33,471	(4,219)	**29,252**	950
28,344		**34,416**	**(4,981)**	**29,435**	**1,091**

Analysis of changes:	**£'000**
Technical and Service changes	
Inflation and National Living Wage	1,007
Growth in household waste	286
Extension of Household Waste Recycling contract	400
Extension of sweepings contract	48
	1,741
Savings Strategies	
Impact of increased waste tonnages on shared savings projects	(450)
Change in organic waste disposal volumes	(100)
Maintenance expenditure for recycling centres and closed landfill sites	(100)
	(650)
Total	**1,091**

Service Commentary

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

The Waste Management service is responsible for the disposal of local authority collected waste. The service supports and enables waste prevention activity, manages waste contracts for recycling, treatment, and disposal, provides new waste infrastructure and manages redundant landfill sites. The service works with Waste Collection Authorities to join up waste collection and waste disposal where possible. Less than 5% of Devon's residual household waste is now disposed of at landfill sites.

Waste tonnage is extremely volatile and sensitive to both economic and demographic factors, including COVID-19, and needs to be closely monitored as there is growth in this area, which could have a significant impact on the budget.

Service Statistics and Other Information

Service/ Activity	**Unit of Measurement**	**2021/22 Estimate**	**Change**	**2022/23 Estimate**
Municipal waste disposal to landfill	Tonnes	12,250	4,750	17,000
Municipal waste recycled (excl. soil & rubble)	Tonnes	216,000	(10,000)	206,000
Trade Waste - rechargeable income	Tonnes	14,000	(5,500)	8,500
Municipal waste sent for energy recovery	Tonnes	148,500	8,500	157,000
Recycling, reusing and composting	Percentage	55.0	0	55.0
Recycling centres provided	No.	19	0	19
Landfill sites after care	No.	58	0	58

Fees and Charges

Introduction

Income budgets include the impact of increases in some fees and charges. Most of these are small increases but it is proposed that any variations are agreed by the responsible cabinet member and chief finance officer via a delegated decision.

Adult Care and Health

The 2022/23 revenue budget proposes the introduction of charges for arranging self funder care, this will be subject to formal consultation.

Highways and Traffic Management

It is proposed that a new charge is introduced for the processing of disabled bay applications and associated construction costs at £200 per application.

Medium Term Financial Strategy 2022/23 – 2025/26

Introduction

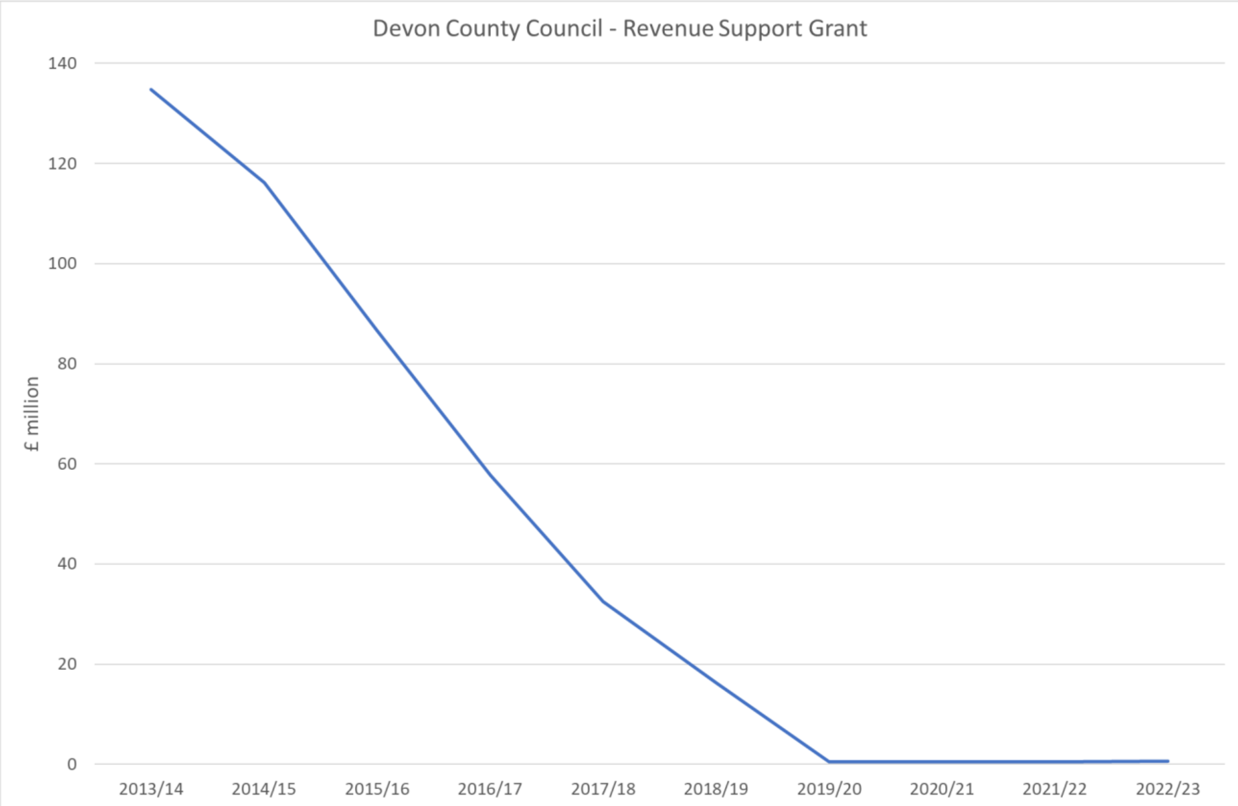
The authority's vision, Best Place, is at the heart of the Medium Term Financial Strategy. Our plan focuses on how we will help the county to recover from the COVID-19 pandemic, build on the resilience of local people and communities to create a fairer, healthier and more caring place, and grasp the opportunity to create a greener, more prosperous and inclusive future for all.

The Medium Term Financial Strategy seeks to ensure the authority is as flexible and resilient as it can be to enable it to cope with the unprecedented level of uncertainty around funding coupled with significant demand and price pressures. In order for the council to continue to deliver the best possible services within available resources in 2022/23 and beyond, the MTFS will focus on the priorities set out in the "Devon County Council Plan 2021 – 2025". That Plan describes the overall ambitions for Devon to become the best place to:

- **Grow up** - We are committed to being a child friendly Devon where all children and young people are safe, healthy, ambitious, and can fulfil their potential.
- **Live well** - We are committed to being a fairer Devon: inclusive, compassionate and caring, where everyone is safe, connected and resilient.
- **Prosper** - We are committed to being a greener and prosperous Devon, with opportunities to create a sustainable future for all.

Government Funding and its Impact on the authority

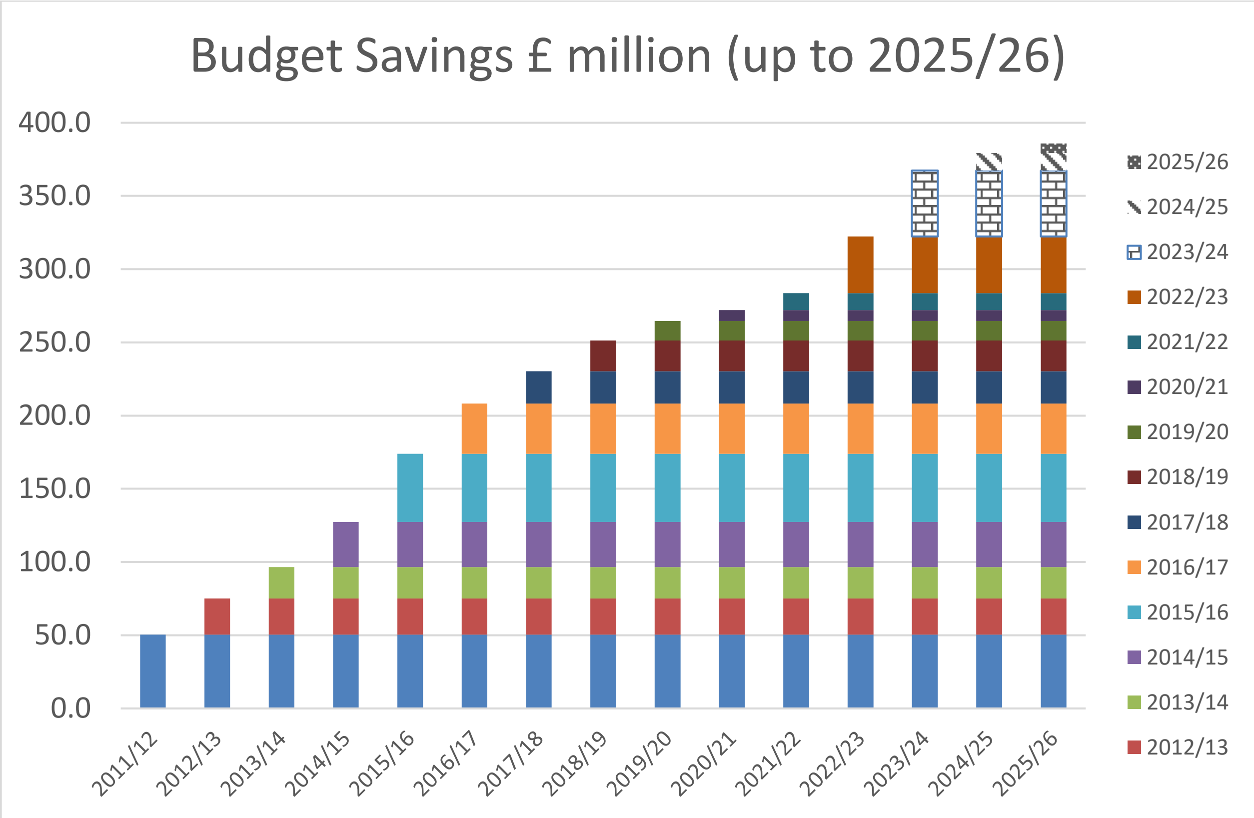
Since the introduction of austerity to public finances from 2010 the financial landscape fundamentally changed for Local Government. The main source of Government Funding used to be Revenue Support Grant, RSG. The graph below shows the decline in RSG over time. At its peak in 2013/14 RSG for the authority was £134.8 million; by 2019/20 it had reduced to just over half a million pounds. Since 2019/20 RSG has increased by inflation but inflation applied to £500,000 generates relatively little additional income.



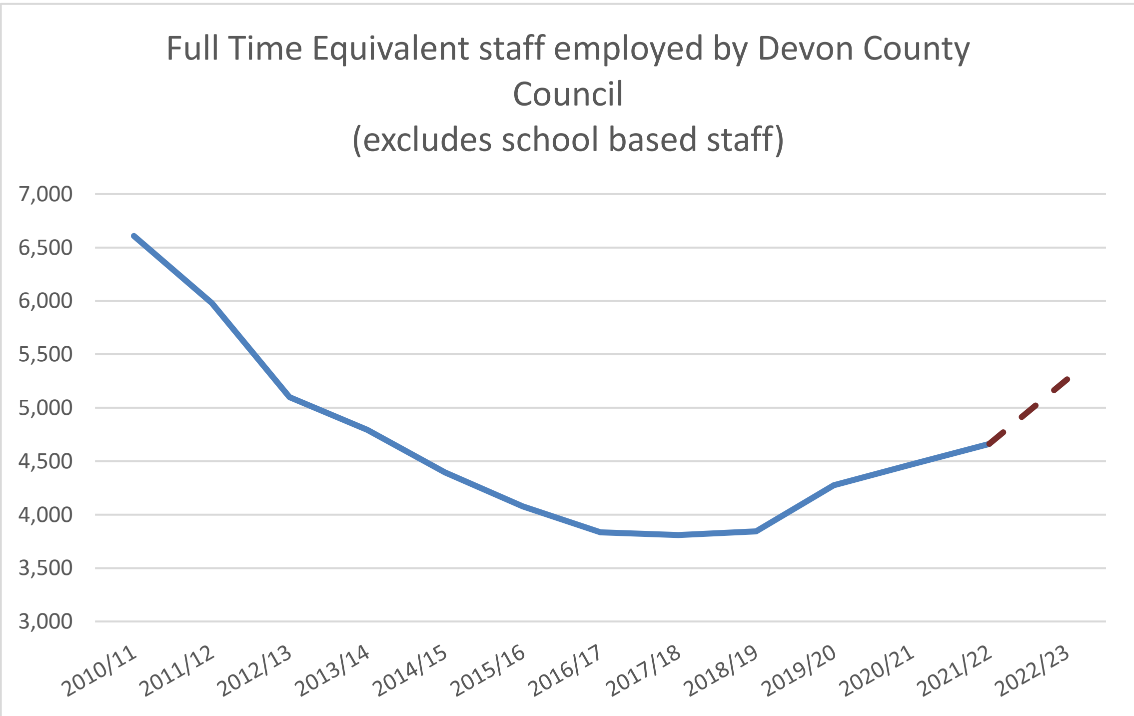
This level of reduction in our funding coupled with demand pressures and price increases has resulted in ongoing savings and income initiatives of just over £322 million being required over 12 years.

The graph below shows the year-on-year savings that have been required. The graph shows the level of savings had reduced in recent years and projected to the end of period covered by the MTFS 2025/26. The savings required for 2022/23 of more than £30 million are the highest since 2015/16 and reflect the inflation and pressures on services particularly adults and children's.

The savings required for 2023/24 are projected to be £45 million, of which £9.5 million has already been identified in service budgets. In 2024/25 and 2025/26 the required savings are estimated to be £11.9 million and £6.4 million respectively. Key Table 4 on page 11 provides more detail.



There has also been a significant change in the number of staff the authority employs. The next graph shows in 2010/11 the authority employed over 6,600 full time equivalent staff, excluding school based staff. By 2017/18 this had reduced to 3,800. Since that time there has been an increase each year with an increase of just over 587 in 2022/23, mainly attributable to investments in children's services including the Education and Inclusion contract being brought in house from August 2022. By 2022/23 there will be just below 5,300 full time equivalent staff.



2022/23 was expected to be the start of a new multi-year spending review, a new multi-year settlement, the implementation of the Fairer Funding Review, Business Rates Retention and the Business Rates Reset.

Although the Chancellor announced on 27th October 2021, a three-year spending review for Government Departments 2022/23 to 2024/25, local government received only a one-year settlement announced on 7th February 2022. The other reforms have yet to happen.

Core Funding

The authority's core funding consists of:

- Revenue Support Grant (RSG) – a general grant from Central Government;
- Business Rates Retention Scheme Local Element – 9% of the Business Rates paid by businesses in Devon; 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.

The Chancellor of the Exchequer, Rishi Sunak, presented the Spending Review to the House of Commons on the 27th October. SR21 sees a return to a multi-year Spending Review and covers the three years from 2022/23 to 2024/25 for Government departments.

It had been expected that the Final Local Government Finance Settlement would also cover three years which will give the authority greater ability to plan over the medium term. However, the Final Settlement for individual local authorities announced on 7th February is for one year only.

Due to the uncertainty around the level of future funding for individual local authorities the MTFS is based on assumptions. The MTFS assumes that Core Funding will increase by inflation year on year over the term of the plan. Government intentions on levelling up and how funding will be distributed to local authorities around the country is not known at this stage. All of the assumptions within the MTFS will need to be reviewed in the coming months and years.

Fairer Funding Review

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

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

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

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

On 2nd February 2022 DLUHC published the Levelling Up White Paper which outlined "12 bold national missions - all quantifiable and to be achieved by 2030." One of these actions includes local government funding where the Government has signalled its intention to ensuring that funding allocations are simpler to understand and are based on an up to date assessment of needs and resources.

There is an acknowledgement that some local authorities may need transitional protection and that one-off funding provided in 2022/23 will be excluded from potential transitional protections.

It is too early to say what this will mean for this authority as the methodology for the distribution of funding has yet to be published.

Due to uncertainty and lack of information the Medium Term Financial Strategy can take no account of the Review and assumes therefore that the current funding system continues throughout the term of the MTFS.

Business Rate Retention Reform

Sometime ago the government stated its intention for there to be a reset of current Business Rates and a move to 75% local retention. As part of this process, the government had 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.

Despite the work undertaken and the Pilots that have been run, including Devon itself, the planned reforms will no longer go ahead.

Speaking to the House of Commons Housing, Communities and Local Government Committee in November 2021, the Communities Secretary Michael Gove reversed six years of policy by telling MPs that it would conflict with the government's 'levelling up agenda' and that the government would now "proceed with caution" on the issue.

There is no information available as yet on what this will mean for Local Government funding and therefore the Medium Term Financial Strategy has assumed the current 50% Business Rate Retention Scheme continues throughout the term of the MTFS.

Council Tax

There has been in place for some years legislation that prevents local authorities from increasing Council Tax by more than a specified limit without seeking approval from residents via a referendum. The limit is set by central Government annually, for 2022/23 it has been set at 2%. In his Autumn Statement the Chancellor indicated that the referendum threshold for increases in council tax is expected to remain at 2%. This expectation has been incorporated into the authority's MTFS.

The other important factor in relation to council tax is the growth in the Council Tax Base. In 2022/23 the Tax Base has increased by just under 1.9% which reflects a recovery from the reduction seen in 2021/22 of 0.85%, when overall the Districts had estimated lower collection rates and higher claims for council tax support as a result of the pandemic. From 2023/24 the MTFS assumes an annual increase of 1% in the base. At current council tax levels a change in council tax base of 0.5% equates to just over £2 million of council tax income.

Council tax raising powers give the authority a measure of independence and resilience in the face of Government funding reductions. Council tax has, over recent years, become an increasingly important source of funding and now makes up around 83% of the funding of the authority’s Net Revenue Budget.

Adult Social Care Precept

The Local Government Settlement for 2022/23 has given powers for Local Authorities with Adult Social Care responsibilities to raise Council Tax above the referendum limit by up to 1%. The income generated by this is ring-fenced specifically for Adult Social Care.

In his Autumn Statement the Chancellor indicated that the Adult Social Care Precept could be increased by up to 1% each year. These potential increases have been incorporated into MTFS projections.

Other Grant Income

The authority receives a number of general government grants, the most significant of which are the Improved Better Care Fund Grant and the Social Care Support Grant. There are two new grants - Market Sustainability and Cost of Care Fund for Social Care Reform (explained later in this section) and Services Grant (which the Government has committed to distributing in its current format for 2022/23 only). The Government has announced that it will work closely with local government on how to best use Services Grant funding from 2023/24 onwards. Full details are included within Key Table 4.

The MTFS assumes these grants will continue through the term of the strategy and that they will remain at 2022/23 levels, unless there have been indications from the Government that there will be changes or that inflationary increases are likely to apply.

Covid-19 Grant Funding

During 2021/22 Central Government continued to support Local Authorities to respond to the pandemic with the release of further grants and funding streams.

Unfortunately, no new funding has been announced by Central Government to directly support the impact of the pandemic in 2022/23 and all funding streams are expected to cease at the end of 2021/22.

Some flexibility does exist in terms of being able to carry forward unspent allocations and this will be utilised where permitted in order to support pandemic related expenditure in 2022/23.

Social Care Reform

On 7th September, the Prime Minister, Boris Johnson, unveiled the Government's plans to "fix" the ailing social care system in their report Build Back Better: Our Plan for Health and Social Care'.

There will be an increase in national insurance of 1.25% from April 2022 ringfenced for health and social care. Along with the increase in the dividend tax this will raise £36 billion (UK-wide) over 3 years.

Of the funding for England only, over three years £25 billion will be used for the NHS and £5.4 billion to fund the costs of social care reform. Within the £5.4 billion for social care there will be £500 million over 3 years to support the social care workforce.

A Dilnot-style £86,000 cap on total care costs and means-testing for financial support will be implemented from October 2023 - of the £5.4 billion, £2.5 billion will be needed, this cap will result in additional costs for local authorities.

The Government will be investing at least £500 million in new workforce measures over three years to:

- provide support in professionalising and developing the workforce,
- fund mental health wellbeing resources and provide access to occupational health funding to help staff recover from their extraordinary role in supporting the country through the pandemic
- introduce further reforms to improve recruitment and support for the social care workforce

It will also introduce measures relating to unpaid carers to:

- provide support, advice and respite, fulfilling the goals of the Care Act;
- invest in the Disabled Facilities Grant and supported housing, as well as exploring other housing solutions to support more people to live independently at home;
- improve information for service users to help them navigate the care system and understand the options available to them; and
- introduce a new assurance framework and support improvement in the system, to ensure local authorities are delivering on their obligations for users.

Market Sustainability and Fair Cost of Care Fund (MSFCC)

With the provisional settlement in December the Government published the purpose and conditions of the Market Sustainability and Fair Cost of Care Fund which is funded from the Health and Care Levy.

In 2022/23 £162 million will be distributed nationally, of which Devon's share is £2.4 million. It is expected that there will be new responsibilities and costs associated with this funding.

The funding may be spent on:

- Conducting a cost of care exercise to determine the sustainable rates
- Engaging with local providers on the costs and numbers of self-funders.
- Strengthening capacity to plan for greater market oversight.
- To increase fee rates as appropriate to local circumstances

Reserves & Balances

The level of Reserves and Balances the authority holds is important context for Medium Term Planning; the General Fund Balance and Reserves are held to help the authority manage risk and uncertainty. The Schools Balances are held by the authority on behalf of Devon Maintained Schools and the authority has no access to them.

The budget deficit on the Dedicated Schools Grant Special Education Needs and Disability High Needs Block is a major concern for the authority and more information is set out on page 108 to 109. On 29 November 2020, new statutory regulations came into force, whereby a local authority must not charge any deficit in respect of its schools' budget to its revenue account. Instead, any such deficit (DSG High Needs) should be charged to a separate account, in effect removing it from general fund and earmarked reserves. Further detail is provided later in this section, Dedicated Schools Grant & SEND High Needs Block.

In order to set a balanced budget for 2022/23 significant savings were identified, however, due to the scale of investment required to protect the most vulnerable in our society, it was necessary to support the revenue budget by using some of our reserves. There is just over £22.9 million of service expenditure in 2022/23 that is being met from reserves:

- £10.9 million of invest to save initiatives; and
- £12 million transition funding from the Budget Management Reserve to meet service pressures in Adult Care and Health and Children's Services whilst transformation to reduce costs across the authority is identified.

Reserves can only be used once and they are not a long term solution to funding pressures. The Medium Term Financial Strategy recognises this and assumes the transition funding is one-off.

Key Tables 1 and 3 on pages 8 and 10 show a transfer of £1 million from the Budget Management Reserve to the County Fund balance in 2022/23.

The following table shows the projected Reserves and Balances up to 31 March 2026.

	31 March 2022 £000	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000
General Fund					
Working Balance	14,825	15,825	15,825	15,825	15,825
Earmarked Reserves	125,502	94,615	88,137	84,075	80,075
	140,327	**110,440**	**103,962**	**99,900**	**95,900**

During 2021/22 it has continued to be very difficult to contain the costs of SEND within the High Needs Block funding being received from Government. The 2022/23 budgeted DSG deficit is projected to be £27 million and with the cumulative deficit of £88 million to March 2022 sees the overall deficit increase to just over £115 million by March 2023. Although sitting it its own ringfenced account this High Needs Block DSG deficit would be in excess of the authority's projected combined working balance and earmarked reserves of just over £110 million.

Devon is now part of the 2nd tranche of the Safety Valve Intervention Programme. Meetings with representatives from the DfE are being held in early 2022 along with the submission of the authority's proposal to bring the High Needs funding back to within its funding envelope.

The detail make-up of these reserves is within the County Fund Balance and Earmarked Reserves section on pages 114 to 120.

Financial Resilience

CIPFA launched its updated Financial Resilience Index in December 2019. It is a comparative analytical tool available to chief financial officers to promote better financial management and help provide an early warning system for stakeholders. The Index uses measures based on published information which provides a common understanding within an authority of its financial position on a range of measures associated with financial risk at a time where there are a range of continuing long-term and complex financial challenges besetting local government.

Financial resilience describes the ability of local authorities to remain viable, stable, and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment. There are several factors that drive the ability of the authority to withstand financial pressures. CIPFA has developed nine key Indicators of Financial Stress that focus on Reserves, Borrowing (debt), Social Care and Funding.

At the time of writing the 2021 Index which updates comparative performances for the 2020/21 outturn had not been published by CIPFA. However, 'Using Performance Information Effectively' is one of the six guiding principles of good financial management embedded in the CIPFA Financial Management Code. To these ends we have retrieved relevant provisional information from Government statistical collections and produced equivalent estimates to inform the budget setting and MTFS processes.

Devon is one of the 25 upper tier county councils in its comparator group. The Index is designed to rank authorities by comparing them with one another and at its simplest level a ranking of 1 is top and 25 is bottom, however for some of the Key Indicators, inter-authority comparisons are not advised (e.g., Change in Reserves), as each will have differing reserves policy, reserves levels and planned use. Some authorities can be ranked the same as others, for instance the Reserves Sustainability where all authorities whose reserves are increasing are all ranked as '1'.

The following table sets out the results for Devon and shows the authority's ranking within the 25 County Councils.

	Indicators of Financial Stress			
	25 county councils as at 31 March 2021			
Rank: 1 = lowest risk 25 = highest risk	Rank	Devon	Lowest Risk in Range	Highest Risk in Range
Reserves Sustainability				
How quickly are usable reserves being used up - the ratio between current level of reserves and the average change in reserves in each of the past three years. A score of 100 indicates that reserves have not reduced in the past three years	1	100	100	3.13
Level of Reserves				
The ratio of current level of reserves to the council's net revenue expenditure. Larger councils would be expected to have larger reserves than smaller councils for the same risk.	12	44.68%	69.05%	22.86%
Changes in Reserves				
The average percentage change in reserves over the past three years	9	82.04%	2228.78%	11.68%
Interest Payable				
As a percentage of net revenue expenditure	20	5.24%	0.00%	7.46%
Gross External Debt				
Including PFI & PPP contracts	17	£617 m	£236 m	£1,530m
Social Care Ratio				
Total spending on adults and children's social care as a proportion of net revenue expenditure	19	88.24%	65.09%	100.14%
Fees and Charges				
The ratio to Service Expenditure – total fees and charges as a proportion of net revenue expenditure	5	3.22%	10.31%	0.37%
Council tax Requirement				
The ratio of Net revenue expenditure – council tax income as a proportion of net revenue expenditure	9	85.15%	104.52%	65.87%
Business Rates				
The growth above baseline – growth is the Authority's share of actual rates in excess of the baseline funding level. This growth is divided by the baseline funding level.	N/A	Data not available	Data not available	Data not available

The 2021 CIPFA Index is the first assessment incorporating the impact of the pandemic on our financial sustainability and Devon continues to compare well with the other county councils. However, any apparent robustness or improvements in key measures, particularly Reserve Sustainability and Change in Reserves, must be treated with a degree of scepticism. In common with the local government sector generally, Devon has received significant amounts of temporary pandemic funding that will distort the earmarked reserves position in the short term due to the timing differences between receipt and spending of this funding. The deterioration in the Social Care ratio highlights the multiple financial challenges of increasing demand and costs for Child and Adult Social Care services experienced during the pandemic period and these are not expected to subside in the short term. As we progress towards and beyond a post-pandemic stage the longer-term funding picture remains uncertain.

The Council notes the ongoing risks associated with the measures 'Interest payable as a percentage of net revenue expenditure' and 'Gross External Debt'. The authority has higher historic levels of debt than the average county council but since 2008/09 the authority has not taken out any new borrowing. The relatively high interest payments reflect both the level of debt and the time when the borrowing was taken out, when interest rates were higher than they are at present.

In conclusion, CIPFA's Financial Resilience Indices indicates that the authority is not at imminent risk of financial failure. It is recognised that strong financial management practices will be required to contain spending pressures on social care, for both children and adults, to ensure the sustainability of Devon's finances into the medium term. It is also noted the importance of careful management of accumulated debt and its capital financing implications.

Risk Management

Given that all risk cannot be eliminated effective Risk Management is essential. The authority faces continued uncertainty and risk in relation to both its funding and demand for services. The longer-term impact of the Covid-19 pandemic including in terms of national debt, economic impact and demand for services is likely to be significant. Risk Management is and will continue to be an essential tool in supporting effective and informed decision making.

The authority's Risk Management Strategy for 2020-2025 recognises that the authority has made positive strides in Risk Management in recent years and acknowledges three key areas of challenge that would permeate across the authority's services, these being Financial Pressure/Resilience, Public Health and Climate Change. This document goes hand in hand with the authority's Risk Management Policy, which sets out the details of the framework for Risk Management including Systems and Scoring Mechanisms (Impact and Likelihood assessments) as well as Reporting Expectations. Combined, these elements provide the foundations on which risk within the authority are managed.

Risk Management activity is supported by staff from Devon Audit Partnership, working via regular interaction with Risk Owners, Accountable Officers and Service Area Risk Champions, who form part of the Corporate Risk Management Group. Risk Management activity is inclusive, proactive and ever evolving in response to the challenges and opportunities that are encountered, some of which will be proactive (supported by risk awareness and horizon scanning) and some of which will be reactive (responding to events).

A number of new risks were formulated in response to the Covid-19 pandemic and a budget book risk register has been established to support the monitoring of risks directly linked to the budget setting process and will be retained and updated going forward in 2022/23.

It remains of paramount importance that the authority's finances are used in an effective and controlled way and to help manage the risks to the organisation; our challenge will be to ensure that the financial impacts on risk, reducing risk and mitigating control implementation are known, understood and approved within the agreed financial resources.

The management of risks which cut across Service Areas will be a key element of the authority's work in delivering its corporate priorities.

Close working across service areas will help to ensure that, as a multi-layered and multi-disciplined organisation, we are aware of the risks we face and are able to mitigate and manage their impact to protect both the authority and the people of Devon.

This diagram shows some of the key risks areas that the authority is facing.

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Our Vision and New Ways of Working

Overview

During the past two years the global pandemic has had profound impacts on people and communities across Devon. The coming years will see a period of adjustment, as co-existing with the virus becomes part of everyday life. They will also bring the longer-term consequences of the pandemic, the exit from the European Union and changes to the global economy. These factors will have continuing impacts on the cost of living, labour and property markets, and key sectors of Devon's economy such as hospitality and retail.

In order for the council to continue to deliver the best possible services within available resources in 2022-23 and beyond the MTFS will focus on the priorities set out in the "Devon County Council Plan 2021 – 2025". That Plan describes the overall ambitions for Devon to become the best place to:

- **Grow up** - We are committed to being a child friendly Devon where all children and young people are safe, healthy, ambitious, and can fulfil their potential.
- **Live well** - We are committed to being a fairer Devon: inclusive, compassionate and caring, where everyone is safe, connected and resilient.
- **Prosper** - We are committed to being a greener and prosperous Devon, with opportunities to create a sustainable future for all.

The Plan has six priorities:

- Respond to the climate emergency.
- Be ambitious for children and young people.
- Support sustainable economic recovery.
- Tackle poverty and inequality.
- Improve health and wellbeing.
- Help communities be safe, connected and resilient.

For each of those priorities, the Plan sets out the areas of focus for the next four years. In April 2022, the Council will publish its Annual Plan for 2022/23 which will describe the main actions for the next 12 months and the specific activities to deliver or work towards achievement of priorities and outcomes.

The Plan also sets out how we will work as a Council during 2022/23 and beyond. The council is committed to being:

- **A trusted council** – that shows leadership, brings people together and collaborates well with our partners; a council that makes good decisions, uses resources well, and is financially resilient.
- **An inclusive council** – that is intolerant to prejudice and discrimination, is a good employer that invests in, develops and nurtures our workforce, and hears the voices of all our communities.

- **An innovative council** – that is agile, listens and learns, uses data and intelligence well, and can transform the way we work in order to improve services for the people of Devon.

Team Devon: working in partnership to create a sustainable future

Team Devon is a network of partnerships of local authorities, health and other public service providers, business groupings, education and skills providers, voluntary and community groups. The Team Devon approach will continue to be central to addressing Devon's future challenges. They will be the best route for responding to issues such as the climate change emergency, and the lack of appropriate & affordable housing, and the shortages for key workers. The continuing collaboration and joint working between parish/town, district and county councils will be vital in ensuring that best value is achieved for council taxpayers' money.

The County Council is part of the Devon Integrated Care System which is a partnership of health and social care organisations working together with local communities across Devon, Plymouth and Torbay to improve people's health, wellbeing and care. Through working together, it aims to transform health and care services so they are clinically, socially and financially sustainable. The Council has an important part to play in realising the ambitious vision of "equal chances for everyone in Devon to lead long, happy and healthy lives."

On 2nd February 2022 DLUHC published the Levelling Up White Paper. The Government's Levelling Up ambitions include an opportunity for county deals which will build on its support for high streets, towns and local infrastructure as part of a longer-term devolution offer across larger geographies. The detailed framework and scope for county deals will be included in White Paper and there is a possibility that Devon will be invited to develop a deal with Government over the coming months. Team Devon (Leaders and Chief Executives), Torbay Council and Plymouth City Council hope to be working together to:

- Strengthen the financial resilience and effectiveness of service delivery of local public services.
- Improve access to education, training and employment opportunities, and raise standards across the system.
- Ensure people in the local labour market have the right skills to access employment opportunities.
- Identify where new homes and transport infrastructure are needed, and work with Government to secure the investment required to deliver it.
- Explore innovative ways to ensure that key workers have access to good quality affordable homes

Changing and transforming Devon County Council

In responding to the pandemic, the council has learnt that it must change how it works. New ways of working have evolved, and capability was quickly mobilised to support emerging priorities. We have learnt that we were able to experiment, understand and adapt in how we respond to emergencies, how we can make better decisions more quickly, while ensuring local services were provided by working in very different ways. This has created a solid foundation for how the council will work and lead differently in future. Over the next four years we will take the opportunity to build on this experience to reflect, reimagine and redesign the way the council works. The focus for the next four years will be:

- To transform, develop and improve our children's services;
- To respond to demographic pressures and future workforce challenges;
- Embrace the positive benefits of a diverse workforce and create an environment that is inclusive and safe for all staff;
- Make best use of data and intelligence to help inform what we do and understand its impact on the people of Devon;
- Transform the way we work to make us more resilient and adaptable, and help reduce our carbon footprint;
- Invest in digital solutions to help us work more effectively and make us more responsive;
- To enable greater financial resilience and improve financial planning;
- Increase discipline and rigour around decision making.

The changes to the council's senior leadership team during 2022 will give the opportunity not only to reshape the council's officer leadership, but the way that leadership operates, drawing on the experience of changed working practices during the pandemic and the priorities expressed in the Strategic Plan. The proposals build on the learning, experience, and evidence of the last 18 months to create a design, structure and way of working which raises the ambition of the whole council and provides clarity on leadership and future strategic direction.

Public Health

Public Health is principally funded by a ring-fenced grant that comes directly to Devon County Council from the Department of Health and Social Care.

The 2021 Spending Review committed the Government to maintaining the Public Health Grant in real terms over the SR21 period.

Over the course of the coronavirus pandemic, public health has played a leading role in responding to and managing the impact of the virus in Devon and these health protection responsibilities are likely to continue in coming years but no budget allocation has been made for the additional responsibilities beyond the time limited Contain Outbreak Management Fund.

However, given the inherent unpredictability of the pandemic, the precise nature of both the expectations of and additional funding for Public Health's role in terms of leading local work around testing, tracing and outbreak management remain to be confirmed by Government and are likely to change over time.

Public Health will pursue both its commissioning responsibilities and its influencing remits, with a focus on and commitment to:

- Improving health and well-being for everyone in Devon; and
- Narrowing inequalities in health and well-being in Devon.

The social and economic impacts of the pandemic will continue to be felt in the short, the medium and the long-term and will give rise to challenges from the early years into education, employment and in retirement. There are significant challenges emerging in terms of people's physical and mental health and in terms of people, including babies and children, being and feeling safe. Whilst no-one in Devon will have been unaffected by the pandemic, the continuing impact will be more challenging for some more than others. The pandemic has widened inequalities and this, exacerbated by rapidly increasing prices for fuel and food will have a significant impact for many people. Public Health will prioritise its resources to meet the challenges within the term of the grant allocation.

Adults Care & Health

The pandemic has placed immense strain on the health and social care system of Devon since March 2020. The Council made a series of interventions to support the social care market during 2020/21 financial year, some of which have had a long-lasting impact but with ongoing cost implications. Where known, these risks have been assessed and budgeted for on estimates of impact. However, there are still many significant financial risks remaining, particularly in respect of the viability and sustainability of the independent care sector.

Devon has an above average elderly population when compared to the rest of the UK, which is also aging – so there will be more elderly people in future, who will themselves be at a more advanced age and therefore very likely to need additional social care services over the medium and long term, compared to current demand.

The unit cost for packages of care and placements is generally continuing to increase and can be volatile. Workforce recruitment and retention (both for social workers and in the independent provider markets) has recently become a more acute risk. There is a current shortage of labour generally, and especially care workers. This shortage has been responsible for driving up unit costs of care packages. Forecasts for general inflation have been used but the current volatility of inflation remains a risk going forward.

The acuity (intensity of support required) and complexity (number of conditions impacting on individuals) is increasing with our ageing population. We are also seeing increasing complexity in care needs of younger adults. This means that the support needed for each individual is (on average) greater year on year, even during 'normal' times. The legacy of the pandemic could distort the balance further.

Analysis shows a link between the number of Education and Health Care Plans and the number of young people transitioning into adult social care. This year we expect around 190 young people to require ongoing support as adults. Required levels of support vary enormously making financial planning difficult. The increasing number of EHCPs now, will directly impact on adult social care in the coming years. Our modelling suggests that this impact will increase significantly in 2024/25 onwards.

EHCPs can be a proxy for the increasing number of people with a disability surviving into adulthood. 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 increasing costs from transitions into adult services become a budget pressure beyond what is already included in the MTFS.

The key challenge for the service in 2022/23 will be delivery of the savings which are necessary to balance the budget. £7.8 million of these savings will require significant operational changes to be made. There is also inclusion in the 2022/23 budget of £8 million of additional income from the NHS to support social care. This has been agreed as a non-recurrent sum to support the budget for one year only. Therefore, into the medium term, a greater degree of budget savings will be necessary in order to achieve financially sustainable levels of service whilst protecting the most vulnerable residents in need of care and transitioning to a post pandemic operating environment.

The Better Care Fund

Partners across the wider Devon health and care community are united in a single ambition and shared purpose to create a clinically, socially and financially sustainable health and care system that will improve health and well-being across the population of Devon. Our joint commitment is to transform care to deliver the best possible outcomes for our local population; shifting our model of care so that more people are cared for outside of hospital settings – through prevention, more proactive care and new models of care delivery.

The Government established the Better Care Fund (BCF) in 2014 in order to encourage more integrated commissioning. The BCF requires that every Clinical Commissioning Group (CCG) hold a pooled budget with a local authority and agree a joint plan to commission services which are more joined up and person centred. This was underpinned by the mandates issued to NHS England from 2015-16 onwards.

The BCF is the outcome of the mandatory policy to facilitate integration and brings together health and social care funding. There was a major injection of funding in 2017 and this has become known as the Improved Better Care Fund or iBCF.

There are specific conditions around how we use the money and the metrics against which we will be measured, with a focus on investing in out of hospital services and reducing the numbers of delayed transfers of care. There are also conditions about how local authorities and clinical commissioning groups work together in agreeing proposals for how we use the money. This includes mandatory contributions governed by a S75 agreement between the partner organisations; the BCF is based on LA footprint, reporting to the Health and Wellbeing Board (HWB), so the CCG will also have S75s with Plymouth and Torbay.

There are national conditions that govern the operation of the BCF. They are as follows:

- The BCF annual plan must be jointly agreed between local health and social care commissioners, signed off by the HWB;
- NHS contribution to adult social care to be maintained in line with the uplift to CCG minimum contribution. In Devon this is currently £15.9 million;
- There must be agreement to invest in NHS commissioned out of hospital services; and
- There must be a plan for improving outcomes for people being discharged from hospital.

There is also a requirement to jointly agree services and investment that support the delivery of five metrics that reduce pressure on adult health and social care services:

- Avoidable Admissions

- Length of stay
- Discharge to Normal Place of Residence
- Residential Admissions
- Reablement

In Devon the Better Care Fund spending plan is based on the Long Term Plan ambitions for adult services. The fund supports the delivery of services such as multi-agency community teams, rapid response/ reablement, market sufficiency (personal care and reablement), carers services, community equipment and dementia services.

The detailed BCF planning guidance and policy framework for 2022/23 have yet to be published, therefore the tables below set out the 2021/22 BCF resourcing and the application of that:

Resourcing	Revenue Carry-forward	21-22 sources	**Revenue Total**	**Capital**	**Overall total**
Contributions	£'000	£'000	**£'000**	**£'000**	**£'000**
Devon County Council	7,279	32,424	**39,703**	**8,245**	**47,948**
NHS Devon CCG		61,126	**61,126**	**-**	**61,126**
	7,279	**93,550**	**100,829**	**8,245**	**109,074**
Application					
Capital pool				**8,245**	**8,245**
Improved BCF pool	952	28,270	**29,222**		**29,222**
Revenue Pools	6,327	65,280	**71,607**		**71,607**
	7,279	**93,550**	**100,829**	**8,245**	**109,074**

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

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24 & future years**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Original Improved Better Care Fund	0.2	10.2	19.7	19.7	19.7	19.7	19.7
Additional Improved Better Care Fund	15.2	10.2	5.0	8.6	8.6	9.4	9.4
Winter Pressures	0	0	3.6	0	0	0	0
	15.4	**20.4**	**28.3**	**28.3**	**28.3**	**29.1**	**29.1**

No announcement has yet been made on the level of grant the authority can expect beyond 2022/23; the MTFS assumes the grant ongoing at £29 million, but this is far from certain.

The table below sets out the planned spend of the 2021/22 BCF resource:

Scheme type	Budget £'000
Assistive Technologies and Equipment	7,841
Bed Based Intermediate Care Services	9,427
Care Act Implementation Related Duties	172
Carers Services	4,186
DFG Related Schemes	8,245
Enablers for Integration	714
High Impact Change Model for Managing Transfer	4,566
Home Care or Domiciliary Care	17,387
Integrated Care Planning and Navigation	2,276
Other	933
Personalised Budgeting and Commissioning	5,929
Personalised Care at Home	29,772
Prevention / Early Intervention	2,218
Residential Placements	15,408
	109,074

Devon was approved by NHS England and NHS Improvement to be designated as an Integrated Care System for Devon (ICSD) from 1 April 2021. ICSD will bring together health, social care and wider partners to give patients and service users more joined up care and help improve population health. The BCF Policy Framework from 2022 is expected to set out further detail on how BCF plans fit within the new legislative framework.

It is uncertain if improved integration between health and social care and the possible increased pooling of budgets will mean a growth of the BCF to facilitate that, or whether we will have the freedom to agree alternative local agreements to cover wider-ranging priorities beyond those set out in the BCF guidance. This would also allow us to fund services across the ICS footprint, rather than only within LA boundaries.

Children's Services

Children's Social Care

The costs of providing children's social care were rising even before the pandemic, but the ongoing effects on families, increasing demand for services, greater complexity of need including for mental health issues, and a lack of market sufficiency for some types of placements, together are placing even greater pressure on an already stretched system. Recruiting enough suitably qualified front line staff remains a challenge, nationally as well as locally. Targeted measures for hard to recruit groups of staff have been implemented, although it will take time to gain traction. Meanwhile, referrals, the number of children with a Child in Need Plan or Child Protection Plan are all higher than pre-pandemic levels with the trajectory still increasing.

We are responding to these challenges by investing in early help and the children's social care response following first point of contact to enable children and families to be effectively helped at the right time and avoid further escalation into child protection and the need for care. Putting families at the heart of everything we do, enabling and encouraging families to build resilience, working with their strengths, networks, and resources we are much more likely to get families to make sustainable progress over time. Clearly this is good for the children and their families, it will also lead to reduced costs as family's needs are addressed early before reaching crisis. These are longer term strategies that require initial investment to implement the changes needed, recognising that the tangible benefits, human and financial, will not be fully realised in the coming financial year alone.

Dedicated Schools Grant & SEND High Needs Block

Schools Funding

2022/23 sees the final year of the increase in the National Funding Formula (NFF) for schools announced by the Department for Education (DfE) in 2019, which committed to increase funding across England to £52.2 billion. In addition, the 2021 Spending Review included an extra £4.4 billion for the schools budget in 2024/25 and with an expectation to rise 3% thereafter. Devon is grateful for the increases to the overall national funding rates that have seen an increase in 2022/23 of £16.6 million within the Schools Block along with a further £14 million as the Supplementary Grant as part of the autumn 2021 Spending Review.

The local authority will continue to determine the final allocation for school funding in 2022/23 through a local formula and as a result of the increased funding allocation continues to fund at the National Funding Formula rate. The authority, with the support of schools and MPs, continues to state our concerns that although this is a step in the right direction there still needs to be further reviews around the allocation of funds through deprivation factors and minimum funding levels.

The Early Years national funding formula is allocated to local authorities for the existing 15-hour entitlement for all 3- and 4-year olds and the additional 15 hours for 3- and 4-year old children of eligible working parents. The funding rates for both entitlements have seen a rise of 17p per hour, whilst the 2-year old funding has seen an additional 21p per hour.

Special Educational Needs & Disabilities (SEND)

It has remained very difficult to contain the costs of SEND within the funding envelope received from Government. Devon has seen an additional £12.5 million, which is £8.9 million within the High Needs Block (HNB) and an extra allocation of £3.6 million from the Secretary of State in the 2021 Spending Review. However, this is insufficient to meet current demand and costs resulting in a projected deficit in 2022/23 of £27 million.

Safety Valve Intervention Programme

Due to the current Dedicated Schools Grant (DSG) Deficit the DfE procedures require the authority to submit to a management plan; the plan sets out the authority's strategy to recover the deficit within the DSG in future years.

Devon is now part of the 2nd tranche of the Safety Valve Intervention Programme. The initial meeting between the Chief Executive, Director of Children's Services and Director of Finance and representatives from the DfE was held on the 14th December.

Follow up meetings with SEN and Finance will take place in early 2022 and an initial proposal will be submitted in March.

The budgeted DSG deficit for 2022/23 is projected to be £27 million and with the cumulative deficit forecast of £88 million to March 2022 sees the overall deficit increase to just over £115 million.

Management Plan

This deficit could have a considerable impact on future education budgets within the DSG as well as impacting on the financial sustainability of the County Council and urgent action is still required to reduce the demand on Education, Health and Care Plans (EHCPs) and independent placements.

In order to bring the DSG and in particular the HNB within the funding envelope action needs to be taken to improve parents and young peoples lived experience of SEN support in Devon. This is to be achieved by designing and implementing an integrated service that works together, and with families, to ensure young people receive the right support at the right time. By meeting the child's needs earlier and more effectively the authority should see a reduction in the demand for EHCPs.

For 2022/23 management actions being considered to bring further savings of just over £12 million include the reduction of independent sector core costs; reduction in the demand for EHCPs by working to keep children within the mainstream setting and the review of joint funded placement costs with Health and Social Care.

For the medium term plan the Service is looking at continuing the outreach initiatives and SEN support started in 2021/22 along with the continued reduction in the demand for EHCPs through the coming years.

Significant investment by the council and the DfE (through the Free Schools Programme) has recently increased the number of places in our special schools. It is estimated the special school estate will increase by 48% between 2020 and 2024, 525 additional places including three new schools. There is also the intention to create 80 places with support centres across the county to allow more localised access to support and allow access for more complex needs within the special school settings.

Impact:

If all actions are achieved the High Needs Block will have a balanced budget from 2024/25.

Risks:

There are a number of risks associated with this plan; by building skills and confidence in the system at an earlier stage there is an assumed impact in terms of outcomes as well as achieving a reduction in the demand for EHCPs. Due to the current demands made by schools and parents this is going to be difficult to maintain for such an ambitious plan. Growth has been identified for 2022/23, but future years will need to be reviewed based as the actions develop within plan. The forecast assumes the DfE will undertake another round of presumption and the new special schools will be delivered in the current timeframe, disruption to this will impact on the management plan. Funding after 2022/23 has assumed an increase of 5% on the 2021/22 baseline for 2023/24 and then a further 3% per annum. The pandemic continues to have an impact on staff and children which could see a delay to various projects and increased demand.

The Devon Economy

The Devon economy has been hit hard by the Covid19 Pandemic, with significant impacts on our businesses, communities, workforce and overall economy. Our dependence on sectors such as tourism, retail and hospitality has meant we have been disproportionately affected. Prior to the pandemic, the economy already had its weaknesses such as low productivity, inequalities across areas, low wages and poor connectivity. These issues have been further exacerbated, with cash flow among many businesses reaching an all-time low. Lower-income households, of which there are higher than average number in Devon, have been impacted disproportionately by high housing and inflation costs in excess of any possible increase in earnings.

In 2021, our forecasts showed our economy being expected to shrink by 14% before recovering and data showed that unemployment stood at 5%. Unemployment has since reduced fairly quickly, in line with national trends, although we have seen a reduction in the numbers of self-employed individuals. The economy's recovery is being constrained instead by large labour shortages across many key sectors. Our labour market has contracted with high levels of early retirements, inactivity of some skilled staff, and rising levels of young people remaining or returning to education and not moving into the workforce. The UK's exit from the EU has also reduced the labour pool. Job vacancies are high across many roles and sectors, including the health and care sector, hospitality and professional services. The economy has experienced a decline in rental housing and there is an identified shortage of available housing for key worker roles.

Households are facing rapidly increasing housing and domestic fuel costs impacting especially on younger labour market entrants and significant additional inflationary pressures. Whilst there is good evidence of wages rising above the national average within Devon, this is from a low base and such increases are not even across all roles or keeping pace with costs, and real income levels are declining. Devon's economy is dominated by small and micro businesses, the County's key business organisations such as Chambers of Commerce and Federation of Small Businesses are all reporting levels of business confidence over the next six to 12 months are low. This is in light of rises in their cost base, including inflation, tax raises, increases in raw materials, labour and covering debt taken on during the pandemic. Such organisations are also reporting low levels of investment being made with limited reserves and borrowing capability.

Lockdowns and restrictions had an impact upon a variety of sectors causing reductions in output of 36% for tourism, retail by 15% and manufacturing by 14%. Subsequently, since November 2021 tourism and hospitality sectors in Devon have been further impacted by Covid, with 50% to 70% cancellation rates in December 2021 and significant drops in forward bookings to March 2022, impacting upon potential cash-flows and business survival. Similarly, the Devon branch of the British Chambers of Commerce reported that business investment in training for future growth and opportunities by services firms reduced in Q4 of 2021 and cash flow also reduced significantly for both manufacturers and service firms during this period.

The impacts are not the same for all parts of the economy. Businesses working in green technologies and digital services are more buoyant and there are clear opportunities to move to a greener and more inclusive economy. Economic recovery timescales remain uncertain and although forecasts are indicating the county's productivity may return to pre-pandemic levels by the end of 2023, this will be longer for some sectors and communities, and it is unclear how the current labour shortages and business pressures will impact on this timescale.

Team Devon partners recovery prospectus was launched in July 2020 (https://www.devon.gov.uk/coronavirus-advice-in-devon/document/team-devon-covid-19-economy-and-business-recovery-prospectus/) and the Council and partners have been bringing forward and implementing activities to create the conditions for a more resilient, inclusive and sustainable economy.

Additional external funding, such as the Community Renewal Fund have been awarded to the County Council and this will contribute to taking forward identified priorities in the Prospectus, along with national grants and support.

In addition, the service also has funding to carry out the ongoing support for Devon's people, communities and businesses through our programme of service delivery and infrastructure investments, as follows.

The Trading Standards, Business Support & Innovation service area continues to integrate general business support with regulatory support, using the Growth Hub as a portal for business enquiries. However, the joint Trading Standards Service faces further specific budget reductions despite having to deal with a range of new enforcement and business advice responsibilities as a result of the Covid-19 pandemic and EU-exit.

Trading Standards, Business Support & Innovation has a key role to play in supporting the economy, consumer confidence being a key driver of economic growth. This includes vulnerable consumers; through direct intervention in Scams and Doorstep Crime and its proactive work on food safety, product safety and age restricted products which is often designed with a focus on the disadvantaged and those most at risk. Vulnerable businesses; through its work in maintaining a level playing field and the wide-ranging advice and support it can offer to start-ups and small and medium enterprises. It provides regulatory support under the "get it right first time principle", avoiding costly errors and re-works for businesses, which is particularly relevant when dealing with new post EU-Exit rules

The Employment and Skills service area, which includes Devon's Adult Learning Service "Learn Devon", has also been an area of significant increased demand over the past year. With responsibility for our approach to post educational transition and NEETS, Careers Advice within schools, the authority's ongoing activity around employment and redundancy response, and adult education activity more widely, the group has faced new pressures around supporting young people and adults alike in accessing work, entering and staying in learning, upskilling and moving from education to further education and employment. In response, the service has moved quickly to secure funding for and roll out additional support provision for those in hardest hit sectors (in particular around tourism and retail skills); worked closely with partners to launch new offers in hard to recruit sectors such as health and social care and finding those with digital skills; co-designed and launched new outreach activity including the Youth Employment Hub in Exeter; and aligned with FE, HE and wider skills and employment service providers to roll out over 2,500 new opportunities over the year. With Covid-19 impacting every aspect of the economy and education environment however, tight budgets and programme resources have been stretched, whilst new Government initiatives have required existing staffing resources to adapt quickly to deliver a broader range of services and activity.

All of our services and offers to business and the community are being reshaped to adapt to and reflect the outcome of the pandemic and the Devon carbon plan. For the Strategic Intelligence and Economic Infrastructure service area, this includes the recent refresh of our 10 year Strategy for Growth to 2030 forming a basis for our overall service and some of our partners' work, to adapting some of our capital investments, for example supporting a growth in the number of work hubs, developing buildings to low carbon standards and bringing forward digital connectivity improvements. Natural capital, community energy and green innovation are themes for recovery programmes in delivery, responding to the need to provide innovative carbon reduction solutions and provide green jobs and training. Supporting our most vulnerable towns post pandemic is also a priority. Throughout the pandemic and post EU Exit, we have increased our monitoring of the economy, and this is expected to continue for the foreseeable future. However, commissioning research to support programme development will be reduced due to resource constraints.

We will continue to explore income generation opportunities for the service to maximise our impact. This will include new externally funded projects, collaborative working and delivering services using knowledge and expertise within the Service for other third-party organisations. We will continue to put bids in for government funding to supplement our investments, for example through the delayed UK Shared Prosperity Fund.

Our aim is to make the Devon economy more resilient and adaptable to economic and other shocks. This will not be easy to achieve going forward, but the focus of investment is to Build Back Better and to focus on addressing major factors in the future growth of our economy, such as digital infrastructure, health and social care, social mobility, inclusion, skills, support for businesses, community resilience and our response to climate change.

Digital and Technology Strategy

The Digital and Technology Service continues to support up to 5,000 staff and enable collaboration with partner organisations. The service helps staff make the best use of digital technology, to enable them to support people, organisations and communities in Devon. The service work with teams across Devon County Council to explore new ways of working, identify potential improvements, research and implement new digital technology and ensure that information is protected.

The Service is currently working to deliver a three year Digital and Technology Strategy. The Strategy is intended to deliver the following outcomes:

- All staff are confident in their digital skills and have an understanding of user centred service design, data literacy and cyber security;
- We have an integrated Digital and Technology Service, designing services around the needs of the people using them, putting digital at the heart of business change;
- We will have a redesigned Customer Engagement Centre and made all council services that should be, available online;
- We will be encouraging and supporting the use of new and emerging technology such as robotic process automation, machine learning and intelligent virtual agents;
- We will have updated devices, software and infrastructure to ensure all staff have access to modern, fit for purpose systems;
- We can evidence a reduction in carbon emissions for our services and will be proactively using the power of technology to help the Council be carbon neutral.

Working in Partnership

Much of Devon’s response to COVID-19 and subsequent work on emergent recovery priorities is based on a growing ‘Team Devon’ ethos, where colleagues and organisations with common interests work towards shared outcomes. This has involved the development of various groups and meetings spanning the Council, the wider public sector and local councils, voluntary and community sector groups, business and the arts and creative sector.

The established regular meeting of the Leaders and Chief Executives of the County Council, district councils, Dartmoor National Park authority together with representatives of Devon’s town and parish councils has provided a collective voice for local government resulting in co-ordinated action and response; and this group have formed a key foundation resulting in the recent ‘County Deal’ announcement alongside partners in Plymouth and Torbay.

The recently published Strategic Plan states that the Council “…will work…with each other, our partners and with citizens and communities” recognising the strategic opportunity and necessity to work with others to address key challenges. The Council’s public health leadership has brought together a range of agencies and partners at both a local and strategic level to co-ordinate support around outbreak management, PPE and vaccines and infection control alongside providing clear and authoritative advice, guidance and data to partners and the public.

The Council has convened a multi-agency Strategic Recovery Co-ordinating Group to learn from the experiences of people and communities in recent months and to develop shared outcomes, taking particular leadership and insight from VCSE organisations and representatives.

Many of the Council’s tactical and operational leadership and management come from shared arrangements with partners, including the NHS where shared budget and commissioning decisions can be taken together. Many of the Council’s key strategic challenges are better understood and considered through a multi-agency, partnership lens and established Boards regularly meet on issues including safeguarding, community safety, climate change and health and wellbeing.

Conclusion

The new Strategic Plan coupled with the new officer leadership team gives the authority renewed focus on working with partners across Devon to deliver a Devon that truly is the 'Best Place'.

Demand for services, cost pressures and the ongoing impact of the Pandemic will bring significant challenges to the authority, but we will work together with our partners to ensure we deliver the 'Best Place' within the resources available to us. The Government's Levelling Up agenda is a key factor in achieving our ambitions and will be followed closely in the coming months.

The authority has fantastic vision and ambition and the risks we face will need to be carefully managed to ensure we can deliver the Devon we all want and need.

County Fund Balance and Earmarked Reserves 2022/23

Introduction

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

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

In November 2020, new statutory regulations came into force, whereby a local authority must not charge any deficit in respect of its schools' budget to its revenue account. Instead any such deficit should be charged to a separate account, in effect removing it from general fund and earmarked reserves. These regulations are in force for the three years 2020/21, 2021/22 and 2022/23 and do not set out what will happen after March 2023.

Schools balances belong to schools and the authority has no access to them.

The authority holds two remaining types of Reserves and Balances, which it can access:

- Working Balance (County Fund) - effectively the emergency back-stop; and
- Earmarked Reserves - made up of:
  - Statutory Reserves – these are regulated by statute and can only be spent on specified items and include Public Health and On Street Parking;
  - Contingency Reserves – to cover weather emergencies, budget risks and business rate pooling risks; and
  - Service Development and Transformation – to cover the cost of invest to save schemes and transforming our services including redundancy costs.

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

Table 1 - Summary of Reserves and Balances

	31 March 2022 £000	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000
General Fund					
Working Balance	14,825	15,825	15,825	15,825	15,825
Earmarked Reserves	125,502	94,615	88,137	84,075	80,075
	140,327	**110,440**	**103,962**	**99,900**	**95,900**

Key Tables 1 and 3 on pages 8 and 10 show a transfer of £1 million from the Budget Management Reserve to the County Fund balance in 2022/23.

During 2021/22 it has continued to be very difficult to contain the costs of SEND within the High Needs Block funding being received from Government. The 2022/23 budgeted DSG deficit is projected to be £27 million and with the cumulative deficit of £88 million to March 2022 sees the overall deficit increase to just over £115 million by March 2023.

Although sitting it its own ringfenced account this High Needs Block DSG deficit would be in excess of the authority's projected combined working balance and earmarked reserves of just over £110 million.

Devon is now part of the 2nd tranche of the Safety Valve Intervention Programme. Meetings with representatives from the DfE are being held in early 2022 along with the submission of the authority's proposal to bring the High Needs funding back to within its funding envelope.

County Fund Balance

The authority has in place a risk management strategy and a system of internal control. Of particular importance in this context is the authority'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 authority 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.

Although the Working Balance (County Fund) has remained at £14.8 million for a number of years, the authority has had sufficient earmarked reserves to provide financial resilience. However, as service budgets have increased it is now reasonable to increase the Working Balance (County Fund) by £1 million to provide additional headroom. This increase will be achieved by a transfer from the Budget Management Reserve, as outlined in Key Table 3 on page 10.

The major risks affecting the authority have been outlined on pages 167 to 189.

Although historically, there has been overspending in individual services, the authority has been able to deliver underspends on its overall net budget. Although, the required savings and additional income of £38.7 million to deliver the 2022/23 budget are higher than they have been for a number of years the available earmarked reserves are currently more than sufficient to cover the risk of non DSG overspends.

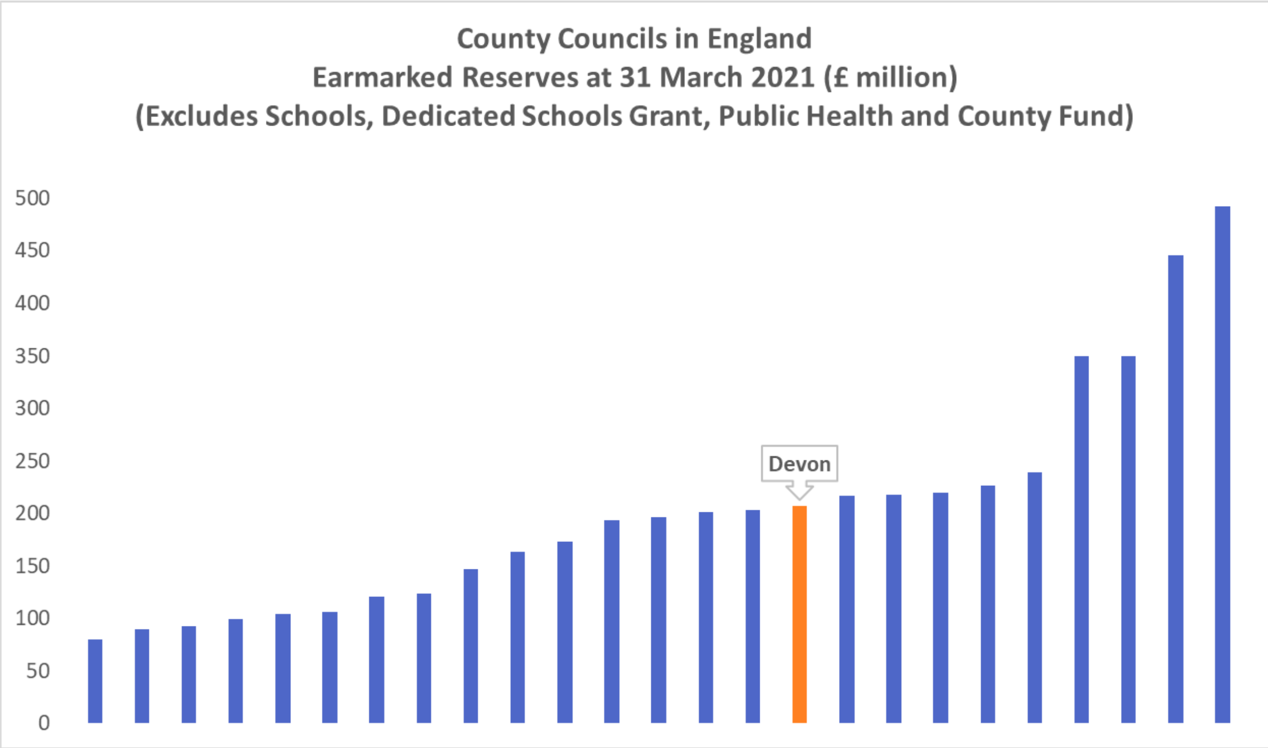
There is a risk that collection rates for both council tax and business rates may fall short of the targets set. These budgets are notified by the billing authorities at the start of the year. However, because these potential shortfalls are managed through collection funds and are included as part of budget setting for the succeeding financial year, they have not been considered in the risk assessment which relates to ‘in year’ variations.

Earmarked Reserves

Table 3 on page 120 provides a description of each earmarked reserve and its projected balance at the end of each financial year until March 2026.

The level of earmarked reserves held by the authority is now around average compared with other County Councils. At 31 March 2021 Devon's earmarked reserves were 10th highest out of 25 County Councils (12th highest out of 26 County Councils at 31 March 2020). This represents a steady improvement since 2016 when Devon was 21st.

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



In 2022/23 the authority plans to use just under £30 million of earmarked reserves of which just under £23 million are included in service expenditure targets:

- £12 million from the Budget Management Reserve to support ongoing revenue expenditure
- £2.8 million from the Budget Management Reserve for invest to save initiatives
- £7 million from the Business Rates Pilot Reserve for Children's invest to save initiatives and one-off service developments
- £600,000 from the Regeneration and Recovery Reserve for local development orders and procurement related to Skypark, developing into a major business park near Exeter Airport
- £562,000 from Service Transformation for Digital Transformation and Organisational Development

The following initiatives and service developments will benefit from the use of the £7 million from the Business Rates Pilot Reserve:

- £3.5 million for service redesign - early intervention, supporting families and transformation
- £1.5 million for social worker hubs
- £1.3 million for Bridges - formerly known as Edge of Care
- £596,000 for Special Educational Needs staffing
- £110,000 for Mockingbird Programme - a fostering network

The authority is taking this unusual step to use reserves to support ongoing revenue expenditure because of the inflationary and demand pressures on services - particularly Adult Care and Health and Children's Services.

Reserves can only be used once and this approach is not a long term solution to the funding pressures facing the authority. It is anticipated that the invest to save initiatives (outlined in more detail later in this report) will generate future savings to help mitigate the authority's funding pressures.

In addition to the £22.9 million of new expenditure in service targets, the authority plans to use a further £6.9 million of reserves on initiatives identified in last year's budget or from ringfenced reserves:

- £2.5 million of the remaining balance from the Regeneration and Recovery Reserve
- £1.5 million from the ringfenced Public Health Reserve
- £543,000 from the On-street Parking Reserve
- £500,000 from Budget Management Reserve for Ash Dieback in Highways
- £1.7 million from the Service Transformation Reserve to fund the following:
    - £780,000 contingency for project management, restructuring and redundancy costs
    - £682,000 for Public Health Nursing Transformation
    - £229,000 for Education and Inclusion

Statutory Reserves

On street parking

The on-street parking reserve is ringfenced to fund transportation improvements and initiatives. The 2022/23 budget plans to use £543,000 leaving the forecast balance at 31 March 2023 of £857,000.

After 2023/24 the Highways service has plans to ensure the continued financial sustainability of the reserve by reviewing the initiatives which it currently funds.

Public Health Reserve

Following underspends and deferral of expenditure the Public Health Reserve is forecast to be £7.6 million at 31 March 2022. The 2022/23 budget anticipates use of £1.5 million of the Public Health reserve and £2 million in each of the following years in the MTFS. However, this is dependent on the level of the Public Health Grant which is not known at this time.

Contingency Reserves

Budget Management Reserve

The Budget Management Reserve is held to meet the risk of future budget pressures and the risks around future funding from Government as outlined in the Medium Term Financial Strategy. At the end of 2020/21 the Budget Management Reserve was increased to just under £69.3 million, as set out in the Outturn Report to Cabinet in July 2021. In 2021/22 £2.6 million is forecast to be used and a further £15.3 million in 2022/23 and £1 million transfer to the County Fund taking the balance at 31 March 2023 down to just under £50.4 million. Just under £1.6 million will be required in 2023/24 to finance the final planned phase of the Children's Invest to Save initiatives.

Business Rates Risk Management Reserve

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

Over the eight years to 31 March 2021, pooling gain and one off gain from being a pilot of 100% rates retention in 2018/19 have amounted to just under £29 million. The authority set aside

- £11.5 million from the one-off gain from the business rates pilot for invest to save initiative for Children's Services; and
- £5.3 million into the Regeneration and Recovery Reserve

At 31 March 2021 there was a remaining balance of just over £12.2 million in the Business Rates Risk Management Reserve to cover:

- potential future losses from the Devon Business Rates Pool
- funding uncertainties arising from the national reset of Business Rates, originally expected in April 2020 but now deferred until April 2023 or later.

Emergency

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

The extreme weather in 2012 illustrates why allowing for this is necessary. The cost of the clear up after the flooding, repair and reinstatement works was £13.6 million. Of this total amount £3.1 million was met by Government through the Bellwin Scheme. A net revenue cost of £10.5 million had therefore to be covered by the authority.

If an event of that magnitude occurred again and the full cost had to be met outside of the revenue budget, after addressing the one-off costs of service reduction, it would be highly unlikely that it could be contained by conventional means. It is therefore essential that an earmarked Emergency Reserve is provided as a general contingency long stop.

Service Development and Transformation Reserves

Business Rates Pilot Reserve

In 2018/19 the authority, in partnership with the other Devon local authorities, became a Business Rates Pilot. This allowed a budget of £11.6 million to be established to support invest to save projects with Children's Services over several years.

In the three years up to 31 March 2021, £1.6 million of this reserve has been used to fund initiatives in Children's services. A further £2.9 million is projected to be used in 2021/22 which leaves a balance of just over £7.1 million available from 31 March 2022. Almost all of this remaining reserve will be used up in 2022/23.

Consequently, £1.5 million of the Budget Management Reserve will be needed in 2023/24 to fund the initiatives in Children's services including Bridges (formerly known as Edge of Care) and Mockingbird (fostering network).

Climate Change Emergency

In May 2019, Cabinet approved the creation of a Climate Change Emergency Reserve of £250,000 from Outturn 2018/19. This reserve covers the revenue costs associated with the management of projects and research relating to Climate Change. Capital costs of schemes to deal with Climate Change are in addition to this reserve and are detailed in the Capital Programme. This initial contribution to reserves is forecast to be used up in 2021/22.

From 2021/22 the revenue budget of Planning, Transportation and Environment was increased by £150,000 for the carbon reduction plan and another £150,000 for the Devon climate emergency to include the ongoing revenue costs in baseline budgets.

In July Cabinet approved a further £1.5 million to be added to the Climate Change Emergency Reserve and plans are being developed for the use of this reserve.

Service Transformation

The Service Transformation Reserve funds the costs of restructuring and transformation. In 2022/23 the planned use of this reserve is £2.3 million - £562,000 included in the Corporate Services budget and £1.7 million as outlined in Table 3 and the planned expenditure is classified in the following categories:

- £780,000 contingency for project management, restructuring and redundancy costs;
- £682,000 for Public Health Nursing transformation;
- £562,000 from Service Transformation for Digital Transformation and Organisational Development; and
- £229,000 for Education and Inclusion.

The Service Transformation Reserve is usually maintained through a contribution from the revenue budget. Much of the planned use of the Service Transformation Reserve in 2022/23 relates to projects deferred from 2021/22 and 2020/21. There is no planned contribution to this reserve in 2022/23 or subsequent years because it is not affordable.

Conclusion

There is a significant level of uncertainty around the authority’s sources of funding after 2022/23, including the Levelling Up White Paper and what that means in the distribution of Government funding to local authorities, including Devon.

The authority plans to use just under £30 million of earmarked reserves in 2022/23 to invest in services, which is just under 24% of the authority's estimated earmarked reserves of £125.5 million at 31 March 2022. The invest to save initiatives are anticipated to yield improvements that will remove the need for such significant use of reserves in future years.

In addition, the authority needs to have sufficient reserves and balances to offset the cash spent on the significant projected deficit on the High Needs block for DSG. This deficit is currently held in a ring fenced account but it is not certain what will happen after the Regulations come to an end in March 2023.

The authority’s earmarked reserves are forecast to remain above £80 million. This level of reserves is broadly in line with other county councils.

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

Table 3 – Earmarked Reserves

Purpose & Description of Reserve	Estimated balance as at 31 March 2022 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2026 £'000
Special Purpose Reserves					
Affordable Housing	182	122	62		
To promote joint schemes with District Council and other partners to improve public services.					
On Street Parking	1,400	857	414	414	414
To fund transportation improvements and initiatives					
Public Health	7,632	6,132	4,132	2,132	132
Ringfenced for Public Health expenditure					
Subtotal: Special Purpose Reserves	9,214	7,111	4,608	2,546	546
Contingency Reserves					
Budget Management	66,620	50,336	48,760	48,760	48,760
To fund future budget pressures					
Business Rate Risk Management	9,703	9,703	9,703	9,703	9,703
To fund potential future losses on the Devon Business Rates Pool					
Emergency	19,089	19,089	19,089	19,089	19,089
To manage exceptional unforeseen costs, uncertainties and emergencies					
Subtotal: Contingency Reserves	95,412	79,128	77,552	77,552	77,552
Service Development and Transformation Reserves					
Business Rates Pilot	7,149	46			
To fund invest to save initiatives within Children's services					
Climate Change Emergency	1,480	1,480	1,480	1,480	1,480
To fund management costs of initiatives in response to Climate Change					
Regeneration and Recovery	3,147	53			
To support the Devon economy and promote economic growth					
Service Transformation	9,100	6,797	4,497	2,497	497
To manage costs of remodelling services					
Subtotal: Development and Transformation	20,876	8,376	5,977	3,977	1,977
Total Earmarked Revenue Reserves	**125,502**	**94,615**	**88,137**	**84,075**	**80,075**

Approval to use all Reserves is by Cabinet with management and control by the Director of Finance.

Treasury Management Strategy 2022/23 – 2025/26 and Prudential Indicators 2022/23 - 2026/27

Introduction

The County Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Services. A revised Code of Practice was published by CIPFA in December 2021 and requires the Council to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). These policies have been reviewed for 2022/23 in the light of the revised code and revised TMPs have been submitted for approval.

The policy requires the Council to consider a treasury strategy report, setting out the strategy and plans to be followed in the coming year, as part of the budget process. The strategy for 2022/23 is broadly consistent with that adopted for 2021/22.

The Treasury Management Strategy sets out the County Council's policies in relation to:

- the management of the Council's cashflows, its banking, money market and capital market transactions;
- borrowing and investment strategies;
- monitoring of the level of debt and funding of the capital programme.

The 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 2022/23 – 2026/27, and the Capital Strategy.

This Treasury Management Strategy document sets out:

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

Treasury Management and Investment Strategy Overview

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

External Borrowing

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

The capital programme for 2022/23 requires borrowing of £20.2 million, which will be internal borrowing. This is offset by the MRP figure of £12.7 million which will leave the Council with total internal borrowing of £95.3 million, i.e. the Council has borrowed £95.3 million from its cash balances, in addition to the external debt of £507.85 million, to fund the capital programme. However, this is forecast to reduce in future years. The ability to internally borrow from the Council's cash has enabled the Council to fund its capital programme in recent years without taking out further external debt and incurring additional interest costs and other capital financing costs.

The revised Prudential and Treasury Management codes published by CIPFA include a new requirement for a liability benchmark to be included in the Treasury Management Strategy. In effect, this is designed to identify the minimum level of external debt needed to fund the authority's capital financing requirement. The benchmark assumes that the Council can use its available reserves and balances to fund capital programme borrowing before needing to take out further external debt. The benchmark included within the Treasury Management Strategy demonstrates that based on current capital spending plans and budgeted use of revenue reserves, there is still a gap between the minimum level of external debt required and the current level of external debt. This would indicate that the Council can continue with its current policy of taking out no new external borrowing.

However, the gap is relatively narrow and assumes that the current annual deficits on Special Educational Needs (SEND) will not continue beyond 2022/23. Should the SEND issue not be resolved and/or there are significant additions to the capital programme or calls on revenue reserves, then this may change the picture. If key priorities cannot be delivered due to a reduced availability of external funding, the authority's cash resources, or capital receipts, then external borrowing may be required. This will need to be balanced against the ability to support additional capital financing costs from within the revenue budget.

Target Rates for Investment

For the 2022/23 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.35% p.a. This is a small increase on the targeted rate for 2021/22 reflecting the Bank of England's announcement in December 2021 of an increase in the base rate to 0.25%, but reflecting that this will not immediately filter through to the average rate achievable on the Council's investments.

The yield from investment in the CCLA Property Fund is assumed to be 4.0%. This assumes a reasonable recovery from the impact of the pandemic. A further investment in the Fund will be considered during the year, but this has not been factored into the budget. This may be a good time to consider a further investment, as the initial capital loss on the new investment would be largely offset by the capital growth to date on the original investment.

Although provided for within the strategy no investment has yet been made in short-dated bond funds and multi-asset income funds. Should this option be taken up further analysis and a competitive selection process would need to be undertaken to identify funds that would meet the Council's requirements. Any decision to invest in such funds would be subject to agreement by the Cabinet Member for Finance.

Minimum Revenue Provision

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

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

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

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

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

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

The main Prudential Indicator to measure the acceptable level of borrowing remains the ratio of financing costs to total revenue stream. The figures for MRP shown in table 7 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

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Total Capital programme	**165,160**	**121,662**	**71,486**	**66,058**	**61,583**
Funded by:					
Gross borrowing	20,253	7,923	2,227	2,396	3,228
Other capital resources	144,907	113,739	69,259	63,662	58,355
Total capital programme funding	**165,160**	**121,662**	**71,486**	**66,058**	**61,583**
Total capital expenditure	**165,160**	**121,662**	**71,486**	**66,058**	**61,583**

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. Other long-term liabilities include contracts under the Private Finance Initiative (PFI) and as from April 2022 is now required to include liabilities related to any leases of more than 12 months that the Council has entered into.

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 2022/23 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Underlying borrowing requirement	603,182	597,326	585,295	573,216	561,740
Other long-term liabilities	135,011	129,456	124,175	119,117	114,637
Capital financing requirement	**738,193**	**726,782**	**709,470**	**692,333**	**676,377**

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 2022/23 – 2026/27.

Table 3 – Authorised Limits

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Authorised Limits:					
Borrowing	676,182	670,326	658,295	646,216	634,740
Other long-term liabilities	135,011	129,456	124,175	119,117	114,637
Authorised limit for external debt	**811,193**	**799,782**	**782,470**	**765,333**	**749,377**

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 2022/23 and following years.

Table 4 - Operational Limits

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Operational Limits:					
Borrowing	651,182	645,326	633,295	621,216	609,740
Other long-term liabilities	135,011	129,456	124,175	119,117	114,637
Operational limit for external debt	**786,193**	**774,782**	**757,470**	**740,333**	**724,377**

The forecast opening balance for External Borrowing at 1 April 2022 is £507.85 million and remains unchanged at 31 March 2023.

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

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Capital financing requirement	738,193	726,782	709,470	692,333	676,377
Gross borrowing and other long-term liabilities	642,861	637,306	632,025	626,967	622,487
Under/ (over) borrowing	**95,332**	**89,476**	**77,445**	**65,366**	**53,890**

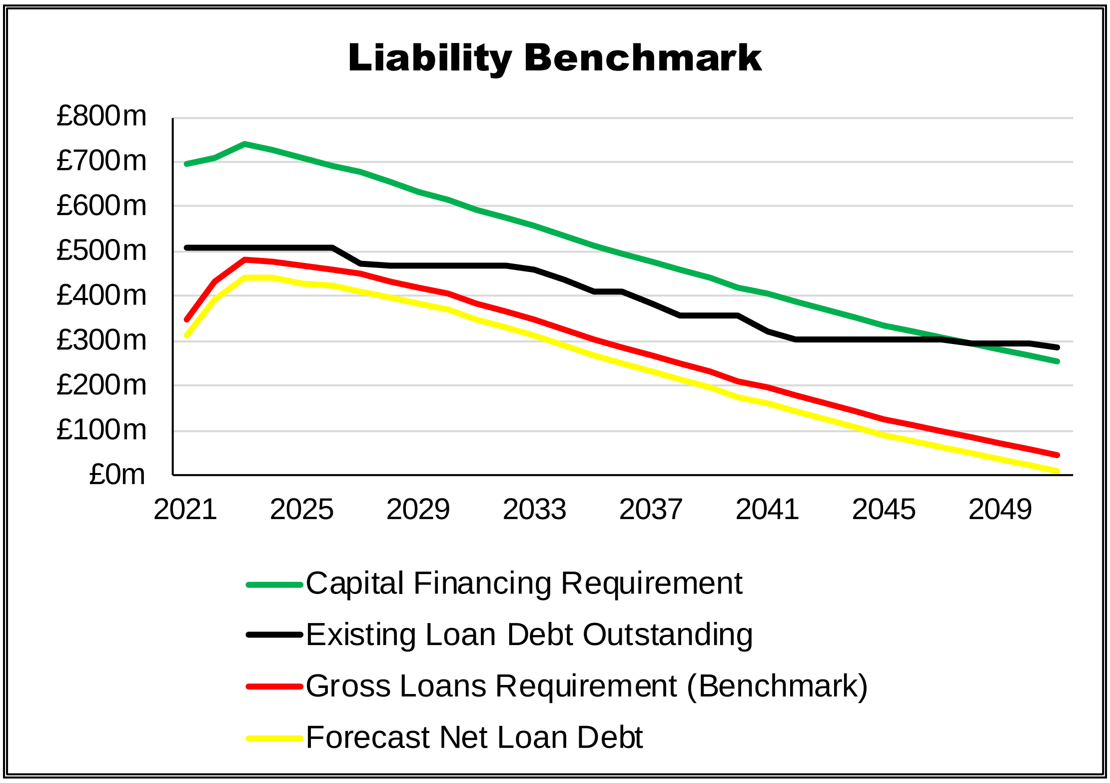
The debt management strategy and borrowing limits for the period 2022/23 to 2026/27 have been set to ensure that over the medium-term net borrowing will only be for capital purposes.

Liability Benchmark

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This takes the capital financing requirement, and the forecast level of reserves and balances, and assumes that cash and investment balances should be kept to a minimum level of £40 million at each year end to maintain sufficient liquidity but minimise credit risk. This is illustrated in Table 6 below, and in the following chart.

Table 6 - Liability Benchmark

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Capital financing requirement	738,193	726,782	709,470	692,333	676,377
Less: total reserves and provisions	(294,914)	(287,375)	(279,579)	(269,924)	(263,944)
Plus: minimum liquidity requirement	40,000	40,000	40,000	40,000	40,000
Liability Benchmark	**483,279**	**479,407**	**469,891**	**462,409**	**452,433**



Ratio of Financing Cost to Net Revenue Stream

Table 7 below shows the relationship between Capital Financing Costs and the Net Revenue Stream for 2022/23 and future years. Financing cost is affected by Minimum Revenue Provision (MRP), interest receivable and payable and reductions in other long term liabilities.

Table 7 – Ratio of Financing Costs to Net Revenue Stream

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Minimum revenue provision	12,733	13,778	14,259	14,475	14,704
Interest payable	26,017	26,017	26,017	26,017	26,017
Recharges and other adjustments	(410)	(739)	(899)	(969)	(1,113)
Interest receivable	(900)	(900)	(900)	(900)	(900)
Capital financing cost (excluding other long-term liabilities)	37,440	38,156	38,477	38,623	38,708
Capital financing costs of other long-term liabilities	14,689	14,428	13,261	12,427	12,523
Capital financing costs including other long-term liabilities	52,129	52,584	51,738	51,050	51,231
Estimated net revenue stream	**560,065**	**617,613**	**608,174**	**631,970**	**631,940**
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	**6.68%**	**6.18%**	**6.33%**	**6.11%**	**6.13%**
Ratio of financing costs (including other long-term liabilities) to net revenue stream	9.31%	8.51%	8.51%	8.08%	8.11%

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. However, in recent years no new external borrowing has been undertaken, and the maturity range of the Council's longer-term borrowing has therefore reduced. A lower limit for long dated loans is therefore no longer appropriate.

The proposed Prudential Indicators for 2022/23 and beyond are set out in Table 8.

Table 8 – Treasury Management Prudential Indicators

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

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

Monitoring the Indicators

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

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

Analysis of Long Term Debt

The following Table 9 shows the County Council's fixed and variable rate debt as at 31 March 2021 and 31 December 2021 (current).

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

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

Table 9 – Analysis of Long Term Debt

	Actual 31.03.21 £'m	Interest Rate %	Current 31.12.21 £'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 2021 and as at 31 December 2021 (current).

Table 10 – Schedule of Investments

	Maturing in:	Actual 31.03.21 £'m	Interest Rate %	Current 31.12.21 £'m	Interest Rate %
Bank, Building Society and MMF Deposits					
Fixed Rates					
Term Deposits	< 365 days	80.00	0.86	137.50	0.26
	365 days & >	18.00	1.13	16.00	0.73
Callable Deposits					
Variable Rate					
Call Accounts		20.46	0.03	4.14	0.03
Notice Accounts		70.00	0.16	40.00	0.26
Money Market Funds		0.00		0.00	
Property Fund		10.00	4.21	10.00	4.01
All Investments		**198.46**	**0.72**	**207.64**	**0.47**

The Council's cash balance available for investment varies during the year, with peaks when Government grants and Council Tax precepts are received, which then taper down as expenditure is incurred. The cash balance as at 31st December 2021 is slightly higher than at the start of the year. It was anticipated that the cash balance would reduce during 2021/22, as a result of the pressure on revenue budgets from the COVID pandemic and the impact of the growing deficit on the provision for Special Educational Needs (SEND). However, the advance receipt of grants that will not be spent until 2022/23 may result in the cash balance being at a similar level at 31st March 2022 as at the beginning of the year.

The recent investment performance of the County Council's cash has been affected by the coronavirus pandemic which led the Bank of England to reduce its base rate firstly to 0.25% and then to 0.1% during March 2020. This has had an impact on the rates available for investment, which have gradually reduced over the period since March 2020.

The average rate achieved on investments has therefore reduced during the year as Term deposits carried forward from earlier periods have matured and been reinvested at lower rates. While the Bank of England's Monetary Policy Committee increased the base rate at its meeting in December 2021 it will take some time for this to filter through to an increase in the average rate achievable on the Council's investments. This is considered further in the following section.

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 coronavirus outbreak has done huge economic damage to the UK and economies around the world. The Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%. However, in December the Monetary Policy Committee (MPC) confounded market expectations by raising the bank rate back up to 0.25%. The Bank of England now expects inflation to peak at 6% in April, and while the Omicron variant was already having an impact on some sectors, the MPC felt it had to act because it saw "some signs of greater persistence in domestic costs and price pressures".

Typically, an increase in the Bank of England base rate would feed through into market pricing, but with many banks awash with cash and having little appetite for more money this may limit the impact on the rates available for short term investment. Market expectations for further increases in rates during 2022 could improve the prospects for better rates as the year progresses.

The following table outlines current expectations for movements in the base rate and PWLB (Public Works Loans Board) rates. These rates can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, particularly given the uncertain times we are currently experiencing. Such volatility could occur at any time during the forecast period.

Table 11 – Base Rate Forecasts and PWLB Rates

Base Rate Forecasts	Dec (act) 2021	March 2022	June 2022	Sep 2022	Dec 2022	March 2023	June 2023	Sep 2023
Link Asset Services	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

PWLB Rates	Dec (act) 2021	March 2022	June 2022	Sep 2022	Dec 2022	March 2023	June 2023	Sep 2023
Link Asset Services forecast								
10 Year	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
25 Year	1.80%	1.90%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%
50 Year	1.50%	1.70%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%

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 2022/23 – 2025/26

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 million since 2008/09, resulting in reduced Capital Financing Charges.

The capital programme for 2022/23 requires borrowing of £20.2 million, which will be internal borrowing. This is offset by the MRP figure of £12.7 million which will leave the Council with total internal borrowing of £95.3 million, i.e. the Council has borrowed £95.3 million from its cash balances, in addition to the external debt of £507.85 million, to fund the capital programme. However, this is forecast to reduce in future years. The ability to internally borrow from the Council's cash has enabled the Council to fund its capital programme in recent years without taking out further external debt and incurring additional interest costs and other capital financing costs.

While cash balances remain relatively high, the Council can continue to internally borrow to meet capital commitments and maintain a measured level of future capital investment. The new requirement for a liability benchmark is designed to demonstrate whether and when new external borrowing will be required, based on the Council's current capital programme and call upon revenue reserves. Table 6 and the following graph included within the prudential indicators section of the Treasury Management Strategy show that the benchmark requirement for external debt is below the current level of external debt throughout the period shown, which indicates that further external debt should not be required.

The Medium Term Financial Strategy (MTFS) therefore continues to assume that, over the three year period, no new long-term borrowing will be required. However, the margin between the actual external debt and the minimum requirement shown on the liability benchmark graph is narrow, and assumes that the current annual deficits on Special Educational Needs (SEND) will not continue beyond 2022/23. Should the SEND issue not be resolved and/or there are significant additions to the capital programme or calls on revenue reserves, then this may change the picture. If key priorities cannot be delivered due to a reduced availability of external funding, the authority's cash resources, or capital receipts, then external borrowing may be required. This will need to be balanced against the ability to support additional capital financing costs from within the revenue budget.

No opportunities have arisen during this financial year to repay external debt without incurring substantial premium penalties, which would negate any benefit of repaying the debt. The PWLB sets premature repayment rates and, where the interest rate payable on a current loan is higher than the repayment rate, the PWLB policy imposes premium penalties for early repayment. With current low rates of interest these penalties would be of a significant cost. Therefore, it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise significantly and cancel out the repayment premiums. This is unlikely to happen in the short to medium term.

The earliest date on which any of the Council's external debt matures is 31 March 2027, when the Council is due to repay a PWLB loan of £33.8 million, with a further £5.8 million to be repaid later in 2027. While this may still seem a long time away, the Council has begun to consider plans for the repayment of these loans. Given that the Council's capital programme has borrowed from its internal cash resources, there will need to be careful management of future capital requirements to ensure that cash resources are available so that these loans can be repaid, otherwise there might be a future need to take out new external borrowing to re-finance the debt.

Active treasury management and the maintenance of levels of liquidity aim to ensure that no short term borrowing is required to fund cashflow. Cash positions are monitored daily and modelled over the financial year to ensure that anticipated liquidity levels are forecast accurately. Given current low interest rates, if short-term borrowing is required to aid cashflow, this will be targeted at an average rate of 0.1%.

Investment Strategy 2022/23 – 2025/26

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 Department for Levelling Up, Housing and Communities (DLUHC), For such investments, only a small number of selected UK banks and building societies, money market funds and 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.

In 2020/21 the Council made a pre-payment of deficit contributions into the Pension Fund of £32 million, which represented the total deficit contributions set for the Council for the next three years. In return for making an advance payment of three years’ deficit contributions the Pension Fund provided a 4.5% discount on the payment required, resulting in a saving of £500,000 in each of 2020/21, 2021/22 and 2022/23.

The outlook for cash investment remains challenging. Whereas in the past there was 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 12 below.

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

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

In addition, brokers Tradition, Tullett Prebon and Imperial Treasury, 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 DLUHC, and a range of longer term "Non-specified Investments".

Specified Investments

Specified Investments will be those that meet the criteria in the DLUHC 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. Overseas banks that meet the criteria are included from countries with an 'AAA' 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 13 below summarises the current ‘Approved List’ criteria.

Table 13 – 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
Overseas Banks					
	Sovereign Rating of	AAA	Aaa	AAA	
	and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
	and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies					
Central Government					
	– Debt Management Office				Unlimited
Local Government					
	– County Councils				£10 million
	– Metropolitan Authorities				£10 million
	– London Boroughs				£10 million
	– English Unitaries				£10 million
	– Scottish Authorities				£10 million
	– English Districts				£5 million
	– Welsh Authorities				£5 million
Fire & Police Authorities					£5 million
Money Market Funds		AAA	Aaa	AAA	£30 million

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

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

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

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

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

Non-Specified Investments

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

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

The Council has previously decided that investment in a commercial property fund would be a prudent way to diversify risk and achieve a higher yield, as it would benefit from forecast growth in GDP. The CCLA Property Fund is therefore included as an approved counterparty, and an initial investment of £10 million was made in 2015. The counterparty limit for the Fund (as set out below) is £30 million, and further investments may be made up to that limit, subject to the approval of the Cabinet Member for Finance.

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

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

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

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

The regulation (override) makes it clear that the revenue account should not be charged in respect of that fair value gain or loss and instead that amount should be charged to an account established, charged and used solely for the purpose of recognising fair value gains and losses in accordance with this regulation.

The statutory override applies from 1st April 2018 to 31st March 2023. This has reduced the risk to the Council of capital losses impacting on investment income, as any capital loss would only impact on the Council at the point that the investment is realised, or after the statutory override ends in March 2023.

However, from 2023/24 capital gains and losses will need to be recognised. A further investment in the CCLA Property Fund, which is being considered for 2022/23 will result in an initial capital loss, as the investment will have to be valued at the bid price (the value at which the asset could be sold) which is lower than the offer price (the price at which the asset is purchased). This initial capital loss would be offset to some extent by the capital appreciation on the current investment since its inception in 2015, but any net deficit would need to be funded from the budget management reserve in 2023/24. The expectation would be that the capital value would increase in the longer term, and the reserve could be replenished in future years. Volatility in the capital value of fund investments means that they should be seen as longer-term investments.

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

Table 14 below summarises the ‘Approved List’ criteria for non-specified investments.

Table 14 – Non-Specified Investments Counterparty Approved List Criteria

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

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

Interest Rate Targets

For the 2022/23 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 0.35% p.a. The target rate takes into account the increase in the Bank of England’s base rate announced in December 2021, but on the basis that it will only gradually feed into the rates achievable on the Council's investments.

The yield from investment in the CCLA Property Fund is assumed to be 4.0%. The property market has recovered to some extent from the impact of the pandemic, and the projected yield is therefore a small improvement on the target yield for 2021/22. Further analysis would be required to identify short-dated bond funds and multi-asset income funds that would meet the Council's requirements, should it be decided to utilise the provision for those type of funds. 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 2022/23 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 0.35% for 2023/24 and 2024/25. However, these will be reviewed in the light of changes to the rates on offer from the Council's counterparties over the MTFS period. It may be possible to increase the target rate should the Bank of England agree further increases to the base rate that then filter through to the rates on offer to the Council.

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.

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. This includes commercial investments, which are made primarily to achieve a financial return, and service investments which are made to support the provision of services to the community.

Commercial Investments

The Council's policy is not to make 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.

This will be important if at any stage the council decides to take out new external borrowing to fund its capital programme. The Government has been concerned for some time about the risk involved in local authorities taking out external debt to fund investments in commercial property to generate income. In November 2020, they announced a change in the PWLB's lending terms. This introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. Given the Council's policy, this should have no impact on our treasury management strategy.

Service Investments

The following table sets out the Council's current financial investments held for purposes related to the Council's provision of services to the local community, at the values included in the Statement of Accounts as at 31st March 2021. These investments are not held with the primary intention of gaining a financial return.

Table 15 - Service Investments

	Fair Value as at 31 March 2021 £'000
NPS South West Limited	85
Exeter Science Park Limited	885
Skypark	1,401
Total	**2,371**

NPS (SW) Ltd -

The investment in NPS (SW) Ltd was made in order to set up an outsourced service provider for the Council's facilities management service. The initial investment was 2 x £1 shares, so minimal risk. The company is due to become inactive as at 31st March 2022, but will be replace by a new joint venture company to provide property services and facilities management functions, in which the Council will retain a 20% stake. Risk management, decision-making and performance management are the responsibility of the Digital Transformation and Business Support team. Performance reports will be made to Cabinet, and to the Corporate Infrastructure and Regulatory Services Scrutiny Committee as appropriate.

Exeter Science Park Ltd -

The Council purchased shares in Exeter Science Park Ltd. at a cost of £1.965 million. The value of the shares has subsequently been revised to a value of £885,000, which is included as a financial asset in the Council's Statement of Accounts. The investment was to stimulate economic development to the East of Exeter through the creation of a high-tech business park. The Council along with the University of Exeter is also a guarantor to a loan from the Local Enterprise Partnership Growing Places Fund. Risk management, decision-making and performance management responsibility is shared between the Economy, Enterprise and Skills team Finance Services. Performance reports will be made to Cabinet, and to the Corporate Infrastructure and Regulatory Services Scrutiny Committee as appropriate.

Skypark -

The investment in Skypark is made in the form of a series of loans, which are held as a long-term debtor in the Statement of Accounts. The investment was to stimulate economic development to the East of Exeter through the creation of a high-tech business park. The Council is currently in the process of buying out St Modwen, partners in the project, and returning the park to the sole ownership of the Council. Risk management, decision-making and performance management responsibility is shared between the Economy, Enterprise and Skills team Finance Services. Performance reports will be made to Cabinet, and to the Corporate Infrastructure and Regulatory Services Scrutiny Committee as appropriate.

Further investments -

Any further financial investments will be subject to the approval of Cabinet. Reports to Cabinet will be required to set out the investment objectives, investment criteria, and the risk management, decision-making, reporting, performance measurement and management arrangements.

Treasury Management Code of Practice

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

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Investment Management Practices (IMP) for investments which are not for treasury management purposes.

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

The County Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the County Council's policy statement and TMPs and IMPs, and CIPFA's Standard of professional Practice on Treasury Management.

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

Treasury Management Policy

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

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

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

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

Treasury Management Practices

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

TMP1 Treasury Risk Management

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

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

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

Credit and counterparty risk management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, or investments made, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 'Approved Instruments, methods and techniques'. It also recognises the need to have, and maintain, a formal counterparty policy in respect of those organisations with which it may borrow, or with whom it may enter into other financing or derivative arrangements. This will set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations.

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

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

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

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

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

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

Liquidity risk management

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

Should borrowing be required, the Council will not borrow earlier than required to meet cashflow needs unless there is a clear business case for doing so, and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short term investments to provide liquidity for the Council.

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

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

Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenue, in accordance with its Treasury Management Policy and Strategy and in accordance with TMP6 Reporting requirements and management information arrangements.

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

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

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

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

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

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

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

Exchange rate risk management

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

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

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

Inflation risk management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

During periods of low and stable inflation, there is little requirement for active consideration of its impact. The key objectives are that investments reap the highest real rate of return, with debt costing the lowest real cost. In periods of higher or more volatile inflation, projections of inflation will become part of the debt and investment decision-making criteria, both strategic and operational.

Refinancing risk management

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

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

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

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

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

Legal and regulatory risk management

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

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

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

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

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

Operational risk, including fraud, error and corruption

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

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

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

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

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

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

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

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

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

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

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

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

- Officers should not disclose or discuss, or press others to disclose or discuss, any information relating to specific deals transacted without permission from the relevant counterparty or broker;
- Visits to or from brokers should not be organised without the express permission of a senior officer. Any hospitality received must be declared and recorded;

- The dealer must bear in mind that in accepting a firm price, they are committing the Council to dealing at that rate. If a dealer wishes merely an indicative price, this must be made clear; and
- Brokers must be supplied with a copy of the Council's current approved Counterparty Lending List.

Price risk management

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

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

Commercial investments

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

TMP2 Performance Measurement

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

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

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

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

The performance of the treasury management function will be measured against agreed benchmarks. Performance criteria will include measures of effective treasury risk management in addition to measures of financial performance (income or savings).

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

Investment earnings are measured against published benchmarks, including Base Rate and the Sterling Overnight Index Average (SONIA).

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

TMP3 Decision-Making and Analysis

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

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

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

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

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

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

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

TMP4 Approved Instruments, Methods and Techniques

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

The following are approved activities performed by Devon County Council:

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

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

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

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

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

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

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

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

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

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

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Financial Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements, and the implications properly considered and evaluated.

The Chief Financial Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on treasury management. She will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover.

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

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

Councillors

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

- The Treasury Strategy Report, setting out the strategy and plans to be followed in the coming year. This report is part of the Budget process;
- A Mid-Year Monitoring Report; and

- An Annual Treasury Management Stewardship Report on the performance of the Treasury Management function, and highlighting any areas of non-compliance with agreed policy.

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

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

The Chief Financial Officer

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

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

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

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

The Head of Investments

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

The Treasury Management Team

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

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

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

Reports, both verbal and written are required to be made to the Chief Financial Officer and the Head of Investments.

Internal Audit

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

TMP6 Reporting Requirements and Management Information Arrangements

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

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

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

A mid-year monitoring report will bring Members up to date with actions taken. This will draw on the regular meetings which the Chief Financial Officer has with the Head of Investments and Treasury staff to consider activity to date, and to discuss particular aspects of treasury management activity.

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

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- Details of transactions executed and their revenue (current) effects;
- A report on risk implications of decisions taken;
- Monitoring of compliance with approved policy, practices and statutory/regulatory requirements;

Details of treasury management indicators and any other investment indicators required by regulation.

- Monitoring of compliance with powers delegated to officers;
- The degree of compliance with the original strategy and explanation of deviations;
- An explanation of future impact of decisions taken on the organisation;
- Measurements of performance; and
- A report on compliance with CIPFA Code recommendations.

TMP7 Budgeting, Accounting and Audit Arrangements

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

The Treasury Management Budget or supporting papers will identify

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

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

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

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

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Financial Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Head of Investments will ensure that these are adequate for the purposes of monitoring compliance with TMP1 regarding Liquidity Risk Management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).

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

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

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

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

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

TMP9 Money Laundering

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

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

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

TMP10 Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Chief Financial Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

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

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

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

The Chief Financial Officer will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 Use of External Service Providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

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

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

TMP12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

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

Investment Management Practices

For non-treasury management investments, the Council should ensure that effective risk and performance management arrangements are in place. These should include:

- Investment objectives.
- Investment criteria.
- Risk management, including risk identification, controls, management and monitoring for any material non-treasury investment portfolios.
- Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments.
- Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.
- Reporting and management information, including where and how often monitoring reports are taken.
- Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

The above issues should be addressed by the service areas concerned in relation to any financial investments undertaken in support of their service priorities. A summary will be provided in the annual treasury management strategy.

DEVON COUNTY COUNCIL — BEST PLACE

Given the continued uncertainty around the impact of COVID-19, it is difficult for the Council to provide clarity around what are a complex and diverse range of potential outcomes, for what may be an uncertain economic future. The impact on Devon and the South West of initiatives such as the Governments 'Levelling Up' agenda also remain uncertain.

The focus of this Capital Strategy is therefore on ensuring the authority has flexibility and is ready to adapt its operations as needs arise. The Capital Strategy aims to support this through the practices set out in this document, supported by the best use of assets, resources and the maximisation of external funding.

The Covid-19 pandemic has had profound effects on the lives and livelihoods of the people of Devon. The Council, working as part of Team Devon, continues to protect the NHS, safeguard the most vulnerable and support local businesses. Looking beyond the current emergency, the Council will play an important part in the recovery from the crisis. Devon's outstanding natural environment and a strong sense of community provide the foundations for the future. Issues to tackle will include addressing unemployment; financial pressures facing many working age families and rising poverty.

Our services

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

Our main service groups are:

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

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

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

Corporate Services; including Financial Services, Digital Transformation and business support, Legal, Human Resources and Communications,

Highways, Infrastructure, Development and Waste.

DEVON COUNTY COUNCIL — CAPITAL STRATEGY

Shaping Devon

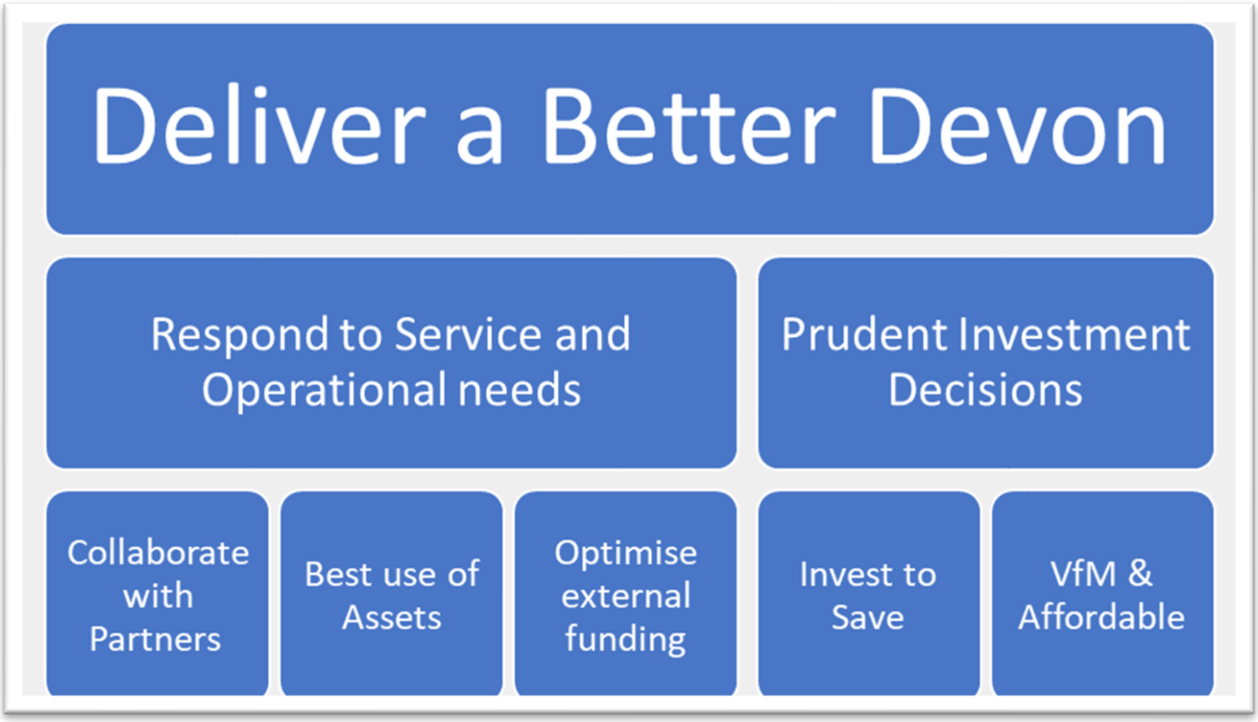
The Capital Strategy ensures that the authority takes capital expenditure decisions in line with strategic and service objectives, and properly considers the operational and service needs of the authority and Doing What Matters for Devon.

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

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

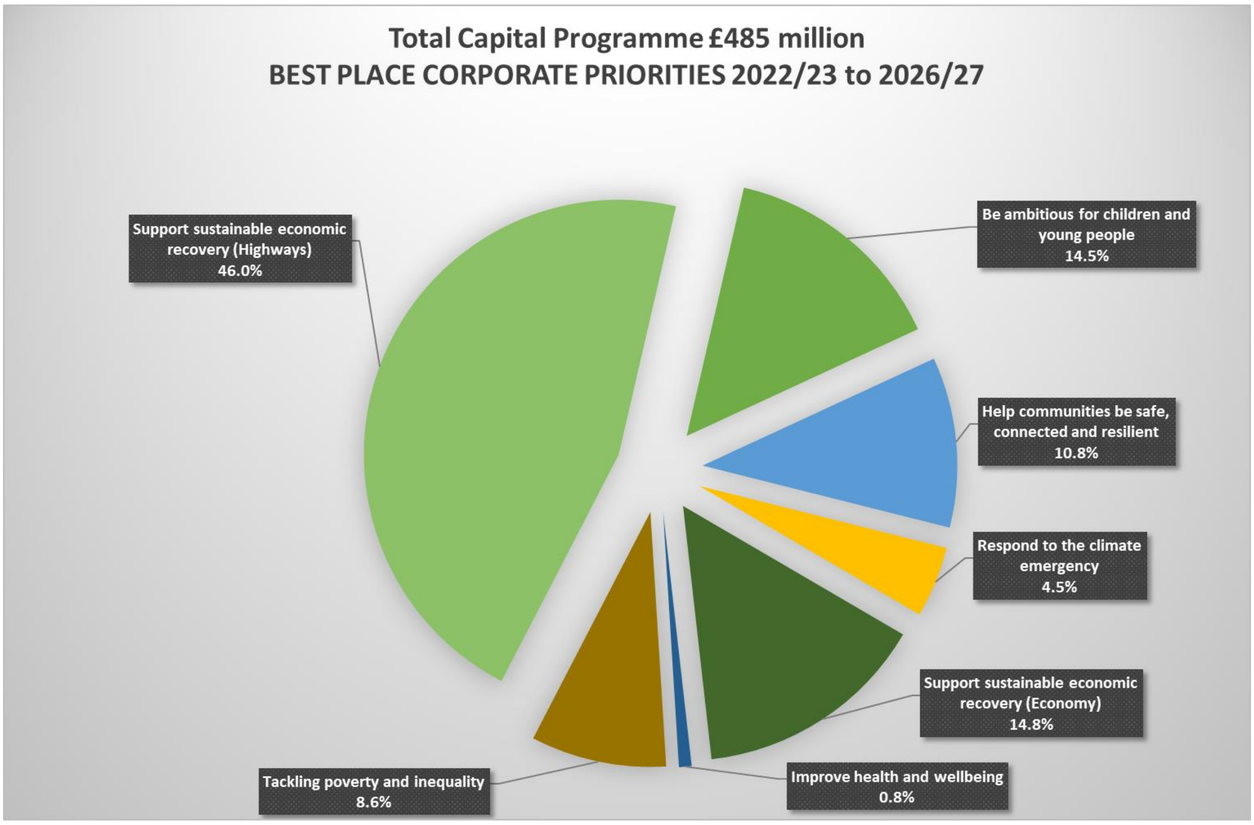
This is balanced with the need to produce prudent, sustainable, and affordable levels of investment in the authority's assets, thereby supporting each of the service areas deliver their objectives. This is what the 2022/23 Capital Strategy aims to support.

Key Principles of the Capital Strategy:



The forecast Capital Programme over the next five years amounts to £485 million of investment across Devon. These projects have been aligned with the recently approved Corporate Strategy which aims help Devon recover from the pandemic and build on the resilience of local people and communities to create a fairer, healthier, and more caring place, and grasp the opportunity to create a greener and more prosperous and inclusive future for all.

The Capital Strategy aims to strike a balance of investment across the six corporate objectives and a representation of this balance, can be seen here:



Adult Care & Health

Adult Care and Health helps adults in Devon find the support they need to stay healthy, happy, and independent. We focus on prevention in the first instance to make this happen, empowering people and communities to be resilient and supported with sustainable local services.

We continue to work closely with the NHS in shaping, delivering, and integrating care and health services. We are at the heart of the developing Integrated Care System across Devon that is using a population health management approach to improve the health and wellbeing of local communities and reduce inequalities.

Adult Care Operations and Health (ACH) is the operational social care service which offers advice, information and signposting as well as assessment, support planning and reviews for older people and working aged adults with learning disability, autism, physical disabilities with eligible social care needs. The service also supports unpaid carers to continue the vital role they play.

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

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

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

Children's Services (including Education)

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

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

The Capital Strategy aims to respond to these challenges by investing corporate and external funding in its continued commitment to expand Special School provision in Devon by adding up to 300 new places for children and young people (CYP) with special educational needs and disability (SEND). These additional places will support the need to reduce the pressure on the High Needs Block.

The Council also runs a loan facility; the Vehicle Equipment Loans Pool (VELP) which enables schools to purchase equipment which may otherwise have to be leased at additional cost to the school, offering a value for money solution for vital ICT and other equipment.

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

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

Communities, Public Health, Environment and Prosperity (CoPHEP)

The Communities portfolio links commissioning services and support to help people and organisations in communities to be better connected, resilient and safe.

The team also commission library and information services, a Devon-wide youth service, community safety work, as well as activities promoting cultural and heritage, physical activity, and sports.

Economy Enterprise and Skills form the Prosperity part of CoPHEP, and supports the delivery of economic growth, prosperity and protection for Devon's residents and business. More recently this has included providing support and advice to businesses in response to Covid-19.

Within Environment we have the Planning, Transportation and Environment service which includes strategic infrastructure and the statutory response for the development of Education and Transport Plans and Waste and Mineral plans as well as preparing the Authorities response to the Climate Emergency.

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

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

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

Capital investment in this service area aims to support Devon's economy by continuing the roll out of Superfast Broadband, and in the continued development of Business Parks such as the Roundswell Node 2 project, Exeter Science Park and Skypark. Looking forwards, the future economic needs of the County in 2022 and future years is particularly challenging and there may be opportunities for future investment, subject to the availability of funding.

The authority is committed to responding to Climate Change and has recently set out its Climate Change Strategy with funding allocated for the next two years. Flood prevention works aim to protect homes and business, and other significant investment has been made in sustainable transport.

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

Corporate Services

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

The authority's Estates Strategy focuses on rationalisation, cost reduction, releasing capital receipts, lowering carbon emissions, and creating connected, flexible workspaces and less reliance on the need for traditional offices as the place to work. It will achieve this by:

- identifying properties, land and buildings that are no longer required
- identifying the potential for the co-location of services and better use of a smaller number of public sector assets
- supporting a digitally enabled workforce to deliver services efficiently through a greater use of digital collaboration tools and agile working which will:
    - enable the authority's property portfolio to be reduced significantly
    - reduce the cost of running properties
    - lessen the impact on the environment
    - target improvement and upgrade work in fewer strategically located buildings.

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

Digitisation

Digital technology is increasingly important in all our lives and is transforming the way we all work, communicate, and do business. We want to be an innovative and creative council at the forefront of technological development so that we can help make life easier and more convenient for everyone we come into contact with.

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

Highways, Infrastructure Development & Waste

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

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

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

Other major capital investment includes the continued delivery of North Devon Link Road with funding from the DfT, and other external capital funding. This is alongside continued delivery of the Housing Infrastructure Fund (HIF). This successful bid for funding totalled £55 million and contributes to infrastructure to support development at South West Exeter. The South West Exeter HIF project will enable the early delivery of the infrastructure required to support the delivery of housing.

Flood Risk

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

Waste

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

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

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

Where external funding is not available the authority will utilise alternative sources of capital financing. Using capital receipts and internal borrowing as a capital funding source will ensure the authority is able to contain its level of debt and therefore its overall level of borrowing.

Capital receipts

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

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

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

Internal Borrowing

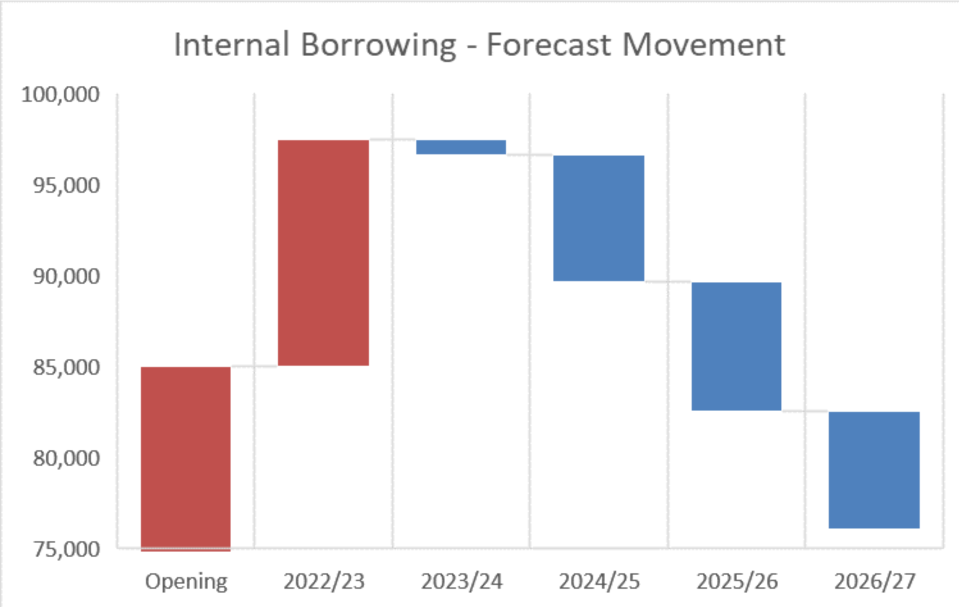
A prudent level of cash balances is required for the authority to meet its obligations in respect of cashflow. Where cashflow allows, the authority has utilised cash balances and internal borrowing (borrowing from internal cash resources) to fund the capital programme. The option to internally borrowing is subject to the availability of the authority's cash resources and is therefore subject to affordability. Use of this internal borrowing mechanism will be monitored by the Chief Finance Officer as part of the authority's wider Treasury Management function.

Whether an 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). MRP is set aside for the future repayment of debt and builds up over time in line with the life of the asset or on an annuity basis. It does not correlate specifically to coincide with the repayment date of external debt.

After detailed analysis of current levels of internal borrowing, the scheduled repayment of existing debt and the forecast accumulation of MRP; this strategy suggests that the existing programme could grow by up to £5 million of internal borrowing per annum, which is currently affordable. However, this will be kept under review and will only be submitted for approval where cashflow allows. The forecast levels of MRP and Internal Borrowing over the five year period are shown below.

Year	MRP	Internal Borrowing (committed)	Internal Borrowing (forecast)	Annual increase / (decrease) in cash resources
	£'000	£'000	£'000	£'000
2022/23	12,733	(20,252)	(5,000)	(12,519)
2023/24	13,778	(7,922)	(5,000)	856
2024/25	14,259	(2,227)	(5,000)	7,032
2025/26	14,475	(2,396)	(5,000)	7,079
2026/27	14,704	(3,228)	(5,000)	6,476
Net increase in cash reserves over 5 year period				8,924

External debt currently stands at £508 million and internal borrowing is forecast to be £84 million as at the end of 2021/22. The net impact of future internal borrowing commitments and MRP set aside can be shown in the following chart with Internal Borrowing forecast to drop by £8.9 million, over a five year period, to just over £75 million.



External Borrowing

The authority has a policy of not undertaking any new external borrowing, as set out in the Treasury Management Strategy 2022/23, with the authority not undertaking any new external borrowing since January 2008. However, depending on the economic climate there may be an opportunity to externally borrow to restructure existing debt, or to borrow now at optimum interest rates to ensure cash resources are sufficient to support the future objectives of the Capital Programme.

Future new additions to the capital programme which are not externally funded, will be subject to the availability of the authority's cash resources, its ability to generate capital receipts and any legislative restrictions imposed by Central Government with respect to external borrowing. Any delay or restriction in these two areas of funding may lead to schemes being paused, re-prioritised or removed from the Capital Programme, depending on strategic objectives. Should the authority wish to undertake or invest in a major strategic project, this may require external borrowing.

The borrowing policy is reviewed regularly to ensure it is still fit for purpose and can continue to meet the operational cash flow and capital financing requirements of the authority.

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

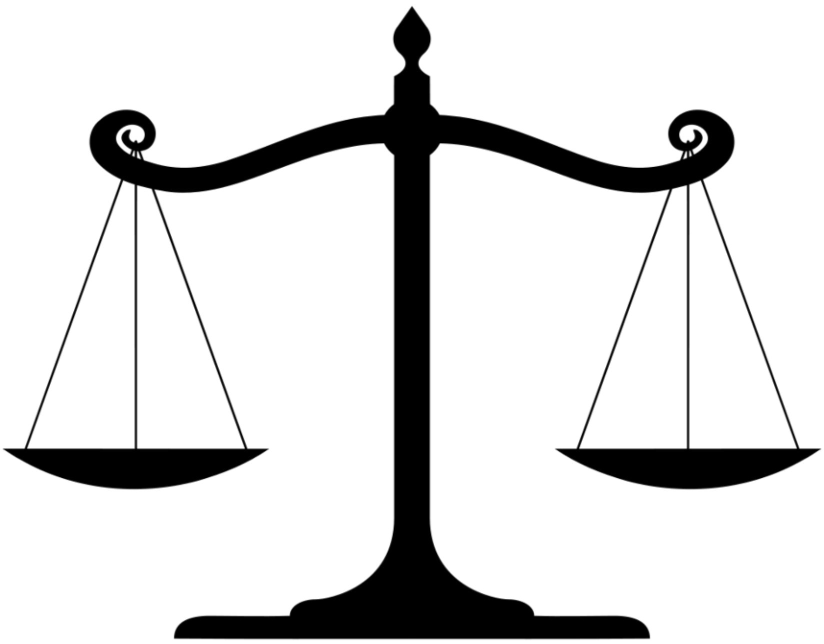
The Cabinet is responsible for approving the annual Capital Outturn and for agreeing procedures for carrying forward any under or over-spend on capital projects as well as approving the MTCP annually, and monitoring capital expenditure against approved budgets, on a bi-monthly basis.

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

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

Before items are included in the Capital Programme a detailed business case must be submitted to the Capital Programme Group (CPG). These will be assessed to ensure alignment with Devon's Best Place strategic objectives, deliverability within existing resources, risk, and value for money. Option appraisal techniques, such as Net Present Value (NPV) may 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 Finance, Cabinet Member for Policy, Corporate and Asset Management and the Chief Finance Officer for inclusion in relevant Council and Committee reports.



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

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

The Capital Strategy ensures that the authority takes capital expenditure decisions in line with strategic and service objectives and properly considers the operational and service needs of the Council. This has been balanced with the need to produce a prudent, sustainable, and affordable level of investment in the Councils assets, which the 2022/23 to 2026/27 Capital Programme aims to deliver.

CLIMATE CHANGE

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

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

In 2022/23 the Council will continue to support capital climate change initiatives, with aims to maximise external funding in this area. Investment included in the current five year Capital Programme amounts to over £22 million. Each Cabinet paper, for the introduction of a new capital project in future years, also has to set out its environmental impact including its response to, or in respect of, Climate Change.

SUMMARY

The Capital Strategy ensures that the authority takes capital expenditure decisions in line with strategic and service objectives and properly considers the operational and service needs of the Council. This has been balanced with the need to produce a prudent, sustainable, and affordable level of investment in the Councils assets, which the 2022/23 to 2026/27 Capital Programme aims to deliver.

Risk Analysis of Volatile Budgets

Background

As part of the budget-setting process, the authority 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 authority. A risk assessment has been undertaken of the main volatile budget areas, which follows this introductory page.

The COVID-19 Pandemic is expected to continue to place significant pressure on the delivery of Council services. As well as introducing new risks the Pandemic adds a new dimension to manging service specific financial pressures.

The most significant high-risk areas for 2022/23 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action and 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. The authority's risk management strategy is set out in the Medium Term Financial Strategy on pages 89 to 113.

Risk Assessment

Adult Care and Health

Service	Budget 2022/23 £'000	Risk and Impact	Mitigation
Section 1: Risks to market sufficiency - costs and workforce			
Market sufficiency	243,173	The Council has a statutory duty under section 5 of the Care Act 2014 to ensure the sufficiency of social care markets in Devon. The pandemic is having negative financial consequences for care home and day care markets following the impact of voids (attrition) or inability to trade (due to COVID-19 outbreaks), with the impact on other markets yet to unfold. It is highly likely that increasing numbers of providers will be seeking financial support to maintain their business. Where the provider is a specialist provider, or where the area has limited provision the Council will need to exercise its duties under section 5 of the Care Act. Further, Devon has traditionally been a relatively high employment/low pay economy but over the last year we have seen increasing labour shortages and competition for labour which have put pressure on providers to pay more, or hand back service contracts (or both). As a result, personal care commissioned volumes are contained, resulting in a current favourable financial effect. There is however an adverse effect in care home	The process to assess financial support requests from providers has been strengthened to manage increased demands for support on the Council and aid intervention decisions. Focussed work with providers facing the most difficulties to improve their approach, learning from the best practice of others, and encouraging cross industry working through support of provider collaboratives. Use of improved Better Care Fund, government grants, and NHS system funding to incentivise care worker recruitment and retention, with a focus on the areas where provision is most challenged. Promotion of the Proud to Care programme which encourages new entrants to work in the care profession, develop skills, and aid retention. The government has allowed social care workers to access the Health and Care Worker visa scheme to aid recruitment of social care staff from overseas.

		placement budgets and potentially NHS system budgets. If sufficiency could be restored, there is an estimated financial risk to social care budgets in the region of £4 million annually. Specialist dementia care provision in the independent sector is underdeveloped, posing a challenge to commissioners to develop a specialism of a market which is already under pressure overall.	However, this move was only announced on 24th December 2021 and is time limited to 1 year. 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. This includes working in partnership with the CCG and DPT to secure the support that care providers need in order to meet complex needs. Capital funding is being considered to develop existing provision to better meet need.
Demand for packages of care (across all service types)	243,173	Demand for the number and intensity of packages of care can be volatile in several 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 and the 'Transforming Care' agenda. Devon also has an above average elderly population when compared nationally, which is forecasted to continue increasing. If our assumptions and forecasts of demand are incorrect the financial risk will vary because the average unit cost per package varies significantly. For example, the unit cost per year for an older person's personal care package is c. £13,000 but the average unit cost for a disability residential placement is £69,000 per year.	The 2022/23 budget has been planned based on 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. A core principle is to promote independence of individuals wherever 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. The Housing with Support strategy has been agreed. The implementation has been interrupted as staff focus on the pandemic response.

Unit cost pressure (across all service types)	243,173	There are price pressures on all commissioned services arising from inflationary factors (increased National Living Wage for example) and labour supply issues. Parts of Devon are at full employment and the care sector is competing for labour with other industry sectors. It is probable that the Hospital Discharge scheme instigated by central government at the beginning of the pandemic has led to an increase in the unit price which the Council is being asked to pay for care home placements now. Inflation effect has been estimated based on CPI averaging around 2.5% for 2022/23. With the current volatility of inflation indicators, particularly utilities, there is a risk that inflationary forces in the care markets are greater than the budget allows. For example, if CPI remained very high at 5% for the duration of 2022/23, this could translate to a £1.5 million additional cost. An average £10 per week change in residential placement costs (current average weekly rate paid is £846) will increase costs by circa £1.4 million and a £1 per hour increase in personal care rates (current average rate paid is £23.22 per hour) will cost circa £1.7 million.	The budget is based on actual unit costs as at the time of budget preparation and is inflated for forecast prices changes. Detailed unit costs are monitored monthly by managers. There is an escalation process in place for approval of high cost packages. Lobbying of central government to provide for sustainable funding for social care as part of delivery of the government's promise to 'fix the crisis in social care'. The NLW increase for April 2022 has already been announced by government at 6.6%. The effect of this increase has been modelled and is included in the budget.
Social care workforce	43,686	This affects both the internal Council's social care workforce, and the far larger care workforce employed by our commissioned providers in Devon. Internally, recruitment to roles which require professional qualifications is challenging. This is common across health and care professions both nationally and in the	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.

		south west (for social work, OT, AMHP and team manager roles). In some instances, pay and conditions in the Council do not compare well with competitors. 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, LPS, dementia and transitions. There is a significant risk that failure to plan for substantive capacity will de-stabilise delivery of functions. 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. External workforce issues risk impacting on unit costs and market sufficiency as supply and costs are interlinked.	Workforce growth in recent years has been driven by short-term investment and targeted (invest to save) initiatives. 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. However, risks have increased more recently, exacerbated by a loss in attractiveness of working in the UK due to depreciation in the value of Sterling and ongoing uncertainty of what the UK's future immigration policy will be for low paid workers in the care sector. Ongoing monitoring of government's legislative programme, along with raising issues nationally via the LGA, ADASS and other networks.
Section 2: Risks to the timeliness of assessment and support			
Savings Strategies and additional income	18,241	The key challenge for the service in 2022/23 will be delivery of the savings which are necessary to balance the budget. £7.8 million of these savings will require significant operational changes to be made. These operational changes will be carefully planned, and impact assessed before being put into place, but they will ultimately result in reductions to the number of care and support packages. The impact of these reductions has been estimated in the service statistics (within the detailed service budget pages) but the eventual	Detailed operational plans will be developed, and legal advice sought before final decisions on implementation are taken. The pace of reductions, and therefore the trajectory of reductions will be carefully modelled, planned, and monitored. However residual risk relating to operational and management capacity to formulate and deliver detailed plans whilst continuing to mount a pandemic response cannot be avoided.

		numbers of reductions by the end of 2022/23 will vary depending on how quickly changes can be made. Developing detailed planning and putting into effect whilst continuing responding to the omicron variant is an additional risk to achievement.	Discussions are taking place with NHS colleagues to explore any opportunity to benefit from funding support from outside of the Council's resources.
Children transitioning to Adults	119,306	Early analysis shows a link between the number of education and health care plans and the number of young people transitioning into adult social care. This year we expect around 190 young people to require ongoing support as adults. Required levels of support vary enormously making financial planning difficult. The increasing number of education and health care plans will directly impact on adult social care in the coming years. Education and health care plans can be a proxy for the increasing number of people with a disability surviving into adulthood. 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.	Both Finance and operations are seeking to use the correlation between the number of education and health care plans and the number of individuals transitioning into adult social care to better predict the increasing future demand on adult social care. Adult Social Care to consider the legal advice regarding adult social care provision into residential educational placements A dedicated multi-disciplinary team has been created to work across Children and Adults services to improve information sharing and to work towards transitions planning at an earlier stage.
Mental Health	18,962	Aspects of the population's mental health resulting from the effects of the pandemic have yet to fully emerge. Acute service demand has increased, which current service struggle to support, and suicide rates are thought to have risen but further data is expected. The Transforming Care Partnerships programme results in individuals, who are currently in NHS funded hospital placements around the country transferring back to a	The CCG MH demand & capacity plan models the impact of the pandemic on the mental health of the population. The plan identifies future pressures across services, including the voluntary and social care sector. The model is reviewed against actual data. Currently, it shows an increase in health demand. The model will inform a future review of pathways.

		Devon care setting where there is likely to be a requirement for adult social care support. Promoting independence means a shift from the use of residential care for working age adults, to alternative provision. 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. These care packages are often at a higher unit price.	Commissioners work with partners to identify and monitor repatriation of cases to ensure that the most appropriate and best value placements, alongside any central government funding are secured in Devon, prioritising the most vulnerable cases first. Adult social care managers are engaged in the Learning Disability and Autism Partnership, with CCG and Council colleagues. Here they work together to assess future service demands and manage repatriations of cases in a sensitive and planned way.
Autism demand and repatriations	6,390	Autism diagnosis rates and demand for care services has increased sharply in recent years and there is a risk that these trends continue. Individuals with autism overlaid with learning disabilities and/or other psychological issues can show complex and risky behaviours necessitating packages of high intensity.	There is a specialised autism team within the service, which manages planning and assigning the most appropriate packages of care to people with highest risk levels and ensuring that the impacts of new cases are phased in a controlled manner over the course of the year. A new tender for providers to support this group has been procured this year. The NHS has commissioned a new service response from DPT to support the management of people with autism and complex behaviours, thereby support their community offer.
Legislative change	312,928	The government has indicated intent to reform social care, a national disabilities strategy, the implementation of Liberty Protection safeguarding later in 2022, along with prioritisation of the NHS. Legislative changes are likely to come with financial implications for social care budgets and it is important	Sector guidance will be carefully reviewed, and we will work with our partners across the health and social care system to understand and implement reforms safely and effectively. Financial modelling of implications has been carried out and careful assessment will be required to

		that when they do, changes are fully funded by government with 'new burden' funding. The weight of the Council's duties and responsibilities is likely to increase as a result. It is expected the government will provide additional funding for this, but they may see the changes as 'cost neutral' presenting a risk that no further or insufficient funding is provided.	understand the implications of not being able to fully fund expected implementation costs. Monitoring of the new government's legislative programme and working with our partners in national bodies such as the LGA and the Association of Directors of Adult Social Services to lobby government and ensure effective consultation. We will work with our partner authorities in the region to operate safe, comparable services.
Section 3: Partnership arrangements			
NHS Contributions to Social Care (including Better Care Fund)	Total BCF pooled budget is currently expected to be in the region of £106 million	The Council entered a pooled budget arrangement in 2015/16 with NHS Commissioners described nationally as the Better Care Fund (BCF). This pooled arrangement now includes £35.5 million of direct support to the Council's social care budgets. Financial challenges inevitably pose a risk to the short-term deployment of resources, ultimately making more difficult the very changes that are necessary to overcome those financial challenges.	A joint commissioning group comprising senior officers for each organisation and with detailed governance and specialist support is overseeing the operation of BCF. All partners are committed to working together to deal with similar challenges faced by each organisation and create integrated services. Strong professional relationships between the health and social care sectors have been developed over the past years both with CCGs and provider trusts including hospitals. Joint appointments in the last year have helped to further consolidate a supportive joint working ethos .
Joint funding of complex care		A tighter application of eligibility for NHS Continuing Health Care can lead to demand for social care rising.	Joint frameworks and relationships with CCG are well developed, including escalation and challenge where appropriate.

		This risks an increase in the number of complex packages which generally have a high individual unit cost.	Pooling of resources and risk are considered collectively with the NHS commissioners. Health Liaison leads are in place to support staff's decision making.
Hospital Discharge Cessation of Funding	78,955	The government introduced a Hospital Discharge scheme at the beginning of the COVID-19 pandemic, to ensure hospitals were able to cope with the anticipated immediate impact of the first wave of the pandemic. A significant number of people were placed in care homes paid for by central government funding. A significant number of individuals remain placed within this scheme and require assessing as close as possible to the cessation of the scheme which government has announced as 31st March 2022. A number of individuals will then transfer to social care but there is a risk that this number could exceed budget provision. There is a further risk of loss of income if there are delays to timely assessment of hospital discharge placements - which ultimately results in an increased cost to the Council. There will also be pressure to maintain and improve hospital system flow, which will continue after the cessation of the national scheme. No change in operational 'Discharge to Assess' processes will be highly likely to result in significant increased costs to social care budgets.	Actual volumes could turn out to be lower and there could be higher attrition in the hospital discharge cohort and care homes in general, but it is unlikely to be to the full extent of the pressure (although a potentially volatile situation over the winter). There are joint care management resources dedicated to reviewing and assessing these cases, and robust monitoring arrangements are in place to track progress and costs. Assessments will be prioritised and closely monitored by senior managers to ensure delays are minimised as far as possible, but this will inevitably need to be balanced against the other pressing demands on social care management. There are high level discussions underway to understand the probable impacts and to resolve post March 2022 operational processes and discharge arrangements.

Children's Services

Service	Budget 2022/23 £'000	Risk and Impact	Mitigation
Market sufficiency	52,519 (net)	The "sufficiency duty" is a statutory duty set out in the Children's Act 1989. The council is required to support children to remain with their families safely, and when this is not possible, to have a sufficient range of care and accommodation to meet their varying needs. Since the pandemic the number of children in our care has risen by 4%. Nationally there is a shortage of foster carers, and residential homes for children with the most complex needs, including those with mental ill health or those who require secure accommodation under a court order. In a Department for Education survey, completed in October 2020, local authorities reported an increase in the cost of care placements of up to 11%. This was the result of fewer appropriate available placements, more complex care packages, and private providers increasing their costs. There is ongoing financial risk associated with these market conditions that could lead to significant budget pressures.	Our sufficiency strategy "Finding a Place Called Home" sets out our response to emerging trends and pressures. It is a co-ordinated approach to support children to remain at home through the Bridges (formerly known as the Edge of Care) Service, to increase the number of foster carers equipped to care for more complex children and develop partnerships with residential providers to increase local placements for children that provide good quality care and value for money.

Managing unit cost pressures	As above	The spend on placements to support children in care in Devon has risen from 46% of total spend on Children's Social Care five years ago to 51% in 2021. The average weekly cost of residential placement has grown and is on average £4,800 per week compared with £3,100 over the same time. Local authorities are competing for limited places and the risk is that costs continue to escalate as a result.	High-cost packages are approved at a senior officer level. Unit costs are monitored monthly by managers to ensure that care packages and costs continue to be appropriate.
Managing demand for services and packages of care	62,973	Referrals, the number of children in need and on child protection plans have increased since the pandemic, and the impact on caseloads and capacity in the system continues. Whilst the number of children in care is higher than at the start of 2020, it has reduced from its peak of 841 in Autumn of 2020. Increases in concerns relating to parental mental health, domestic violence and substance misuse place continued pressure on front door and early help services.	Early and effective intervention reduces the need for more intrusive higher-level and costly work. It also reduces the numbers of re-referrals, repeated assessments and intervention which results in improved outcomes for children and reduces pressures within the system. The 2022/23 budget has been based on 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. The review of early help services, practices in MASH, and a focus on improving practice across all areas of the service will contribute earlier intervention and diversion from the higher cost interventions.

Social Care workforce recruitment and retention	24,923	Recruiting enough experienced social workers is a challenge not unique to Devon. Government statistics published in February 2020 showed 6000 social work vacancies, an increase on the previous year of 3.9%, and an increase of 7.4% in the use of agency staff. 34.2% of social workers had been in their posts for less than two years and only 16.6% have been in post for more than five years. Recent high-profile tragedies, the impact of the pandemic on demand, and working practices, all contribute to pressures on the profession and adds to the challenge of retaining and recruiting staff. In Devon, while vacancies have reduced since the high point in the summer of 2021, in December 2021 there was a 10.3% vacancy rate and 25.4 % were agency staff. This has a negative impact on existing staff increasing the number of children they work with and impeding their ability to spend sufficient time with them.	A stable, skilled, and well-supported workforce is the necessary foundation for our improvement work. A refreshed recruitment campaign, financial incentives to bring terms and conditions in line with competing employers, the quality of support provided, and opportunities for professional development are all significant factors in attracting and retaining our practitioners. Significant financial investment has been set aside to recruit and retain a stable, well-qualified workforce. As this develops, our reliance on agency staff and the attendant costs, will reduce.
Savings and cost management strategies	(5,122)	Significant cost pressures were identified for 2021/22 in the budgets for Special Guardianships and placements for children looked after. Our overall investment strategies will assist in responding to these challenges, and management action will ensure best endeavours to mitigate cost pressures on demand-led budgets arising in 2022/23.’	Investment in transforming our services will, in time, lead to more effective management of demand, reductions in the number of children in need or on child protection plans, and those children who need to come into our care. Increased choice of local placements, with wrap around support, will reduce our reliance on high cost often out of county placements.

Public Health Nursing	10,983 (gross)	High levels of vacancies and a shortage of trained Health Visitors and School Nurses nationally and locally impact on capacity and service delivery.	Qualifying Specialist Community Public Health Nursing students are actively and successfully recruited. Continued focus on wider recruitment.
Education, Learning and Inclusion Services – service wide	67,715 (net)	The unknown medium and long term impacts of all aspects of the COVID-19 emergency including market provision, recruitment, and retention, changing ways of working, delays to key strategic projects, capacity, and demand.	Clear communication on priorities. Utilising business continuity plans and effective service leadership plans to identify emerging risks and pressures. Actively engage and influence recovery programmes. Raising key issues such as recruitment issues and cause at national and local level. Active recruitment ongoing for DCC posts, supporting schools with messaging for Devon employment. Looking to secure additional capacity for projects where funding allows.
Education, Learning and Inclusion Services – General Fund	52,846 (net)	A small number of Devon's schools continue to convert to academies; however, this is at much a slower rate. Changes to the national allocations to the central fund may reduce the LAs ability to effectively deliver the statutory duties linked to this funding, potentially adversely impacting on maintained schools, partnerships, and academies.	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. Continue to ensure that statutory responsibilities within a diverse educational landscape are secured through a range of protocol and stakeholder agreements. Continue to encourage Academies to buy back Traded Services where appropriate and monitor levels of funding for statutory duties.

School/College Transport	34,324 (net)	The number of pupils requiring home to school transport remains high together with external market pressures caused by COVID-19 sees limited operators causing costs to rise. Personalised transport with increased journey times continues to rise as the number of children with complex needs grow.	In this area it is now difficult to mitigate effectively. Market breakdown is seeing costs increase. This is due to a shortage of taxi/bus operators willing to run routes as they are not commercially viable or ceasing to trade. COVID-19 requirements have meant additional demands on transport of children. Number of children with EHCPs continues to rise. We continue work to manage demand for special educational needs (as below for High Needs DSG spending) but whilst slowing the increase this will not reduce numbers. Return to increasing access to Independent Travel Training when permitted.
Education and Learning – Schools Funding	678,016 (gross)	The DSG is made up of the Schools block, the High Needs Block and the Early Years Block and Central Schools Services. As per government guidance, the budgeted DSG deficit for 2022/23 is projected to be £27 million and with the cumulative deficit of £88.1 million to March 2023 sees the overall deficit increase to just over £115 million. As directed by the DfE this deficit is currently held, and will continue to be held, outside the authority's accounts until 31 March 2023. If after that date the deficit is returned to the DSG it will impact on the schools funding available to meet demand to support the education and children in schools within the authority.	As per the DfE requirement, a comprehensive Management Plan is in place to produce a balanced budget and reduce the DSG deficit over short to medium term. Service review of processes and services engaging with school representatives to set an agreed direction to reduce pressures on the service. 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. Increasing the Special School capacity in Devon through corporate capital investment and opening a new school through the DfE Free School Programme.

Education and Learning – Schools Budgets	529,008 (net)	This is a delegation to schools' budgets. This risk is predominately caused by the impact of the national funding formula and changes to employee costs adding to pressure on school budgets. This could lead to schools prioritising their spend in ways which may impact on traded services and de-delegation decisions. This in turn affects the sustainability of services for all schools and academies.	Continue to engage with national reviews of schools funding arrangements. Continue to develop partnership working to maximise effect of collaborative approaches between statutory and purchased service delivery.
Central Schools Services Block	4,162 (net)	DfE have reduced the Historic commitment funding by a further 20% irrespective of the need by the LA for this funding. This may lead to additional budget pressures.	Continue to engage with the DfE via prescribed processes in line with the DSG Operational Guidance.
High Needs Block	129,181 (net)	The significant risk that the High Needs Bock spend does not return a balanced budget. The continued growth, in recent years, of EHC plans with no facility to reduce external demand has meant the DfE HNB grant has seen a significant overspend. The cost of educating pupils with complex educational and physical needs can also be significant and volatile. In particular the number of students remaining in Education post-16 is rising. The deliverability of a balanced budget requires providing early support so more children have their needs appropriately met in mainstream schools and successfully increasing capacity in our maintained special schools so we can disinvest from the more expensive independent sector.	The DSG management plan lays out the actions that must be taken to return the HNB to a balanced in year position. These include: Continuing to increase Special School capacity in Devon through corporate capital investment and opening a new special school through the DfE Free School Programme. A full review of processes and services as set out in the SEND transformation programme • to ensure earlier support is in place across education health and care to support children with SEN thereby reducing the demand on more expensive statutory services;

		There is also a risk of more permanent exclusions and an increase in harder to admit children.	• Seek to increase the number of resource bases in mainstream settings so pupils can receive additional specialist support and continue to access some mainstream education; • Identify the growing needs and provide central support to enable schools to effectively support those pupils that would normally pass into the special school system; • Undertake service reviews including that of students currently in 3rd-5th years of post-16 education; • Consider Independent Special School block contracts or a minimum of 5% reduction in placement costs.

Communities, Public Health, Environment and Prosperity

Service	Budget 2022/23 £'000	Risk and Impact	Mitigation
All - Impact of COVID-19 pandemic	41,243	Unknown medium and long term impacts on Public Health demands, Transport usage trends, local economy, employment market, community resilience, changing ways of working, delays to key strategic projects, income generation.	Clear communication on priorities. Use business continuity and service leadership plans to identify emerging risks and pressures. Actively engage and influence the Council's recovery programme.
Community Grant and Crowdfunding schemes	110	Community funding (Doing What Matters, Making the Connection) has provided important small/medium grants to local organisations particularly to support COVID-19 response and recovery. The reduction of £249,000 means the Council may lose capacity in supporting community resilience and organisations will have fewer opportunities to fund wellbeing, preventative and local connection and capacity building. In ending crowdfunding activities (£50,000), the Council may see a reduction in local innovation and is losing the opportunity to maximise funding (by joining fundraising with the crowd – each £1 of Council spend brings around £10 of private funds)	Crowdfunding has limited local momentum and is not suitable for some projects and organisations. The Council will optimise the use of the remaining community grant funds for 2022/23 by prioritising strategy.
Public & Community Transport	7,655 (budget and other funding)	Prior to COVID-19 around 80% of passenger journeys were 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.	Government is being lobbied to maintain their support for service until they are stabilised post COVID. There is a current bid into Government for additional support for bus based public transport. If this is successful permission would be sought to rebase the current service and use some of these funds to

		The current situation is patronage levels have dropped to 70% of pre COVID-19. The loss of revenue is currently supported by central government funding. This is currently only in place until 6 April 2022. If this support stopped or reduced, then commercial services are likely to operate at a reduced frequency and rural services will require additional support from the County Council. Recent experience has shown that the sector is increasingly commercially fragile which increases the cost risk to the provision of supported services. DCC also supports the voluntary and community transport sector where conventional buses are not sustainable. Any reductions to service will have an impact on Devon communities as 19% of Devon residents have no access to a car.	maintain existing services as well as develop new services. Failing both of these additional funds would have to be sought and consultation would be undertaken on reduced frequency or services. DCC maintains close relationships with this sector, provides some financial support and works with groups to develop new initiatives.
Flood Risk Management – Surface water	805 (excludes capital prog.)	DCC is the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act and the Flood Risk Regulations. Consequently, there would be costs associated with statutory requirements in the event of a major incident.	DCC has processes in place to undertake the required duty should there be a significant flood incident. However, funding over and above this budget might need to be identified.
School Place Planning (capital funding/home to school		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	Devon to contact Local Planning Authorities to request education be treated as Section 106 item following the Government review of CIL. Ensure approved Free Schools are delivered, realising central Government investment.

transport revenue)		locally will have knock on implications for the Home to School Transport budget 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 Several schools have been identified at risk of flooding including Tipton St John.	Continued delivery of additional SEN Places across the county. Evidence based assessment of investment of limited SEN capital funding to increase local capacity in particular, in Maintained Special Schools. Detailed assessment of schools impacted to be undertaken to ensure safety of school users and/or priorities for mitigation are identified.
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. There remains in the balance sheet a provision of £1.8 million to cover the guarantee. This figure was based on the shortfall in the ESPL business plan. It is likely that part of this provision will be required	The guarantee is based on development monies being generated in the future to repay the loan. If the budgeted requirement increases further funds may need to be set aside. This will be monitored during the year via ESPL Business Plans which have to be approved by the Board at regular intervals.
Budget Reductions (incl. Policy Changes)	2,846	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 2022/23 with particular emphasis on high risk or new strategies. Continuous efforts to influence and negotiate with partners will be maintained.

Corporate Services

Service	Budget 2022/23 £000	Risk and Impact	Mitigation
All Corporate Services	40,719 (net)	Unknown medium and long-term impacts on demands for increased support from front-line services, changing ways of working, delays to key strategic projects, and income generation most notably within the Registration Service because of COVID-19.	Clear communication on priorities. Use business continuity and service leadership plans to identify emerging risks and pressures. Actively engage and influence the Council's recovery programme.
All Corporate Services	40,719 (net)	Where DCC insource or take on additional services and staff to the authority, this will require significant back-office support including Business Support, ICT, Procurement, Estates, HR, and Finance. Along with responsibility for linked assets such as buildings which also transfer, this combines to put pressure on all budget lines.	Work closely with front-line service heads to ensure Corporate Services develop and evolve to meet the changing needs of the authority, capturing cost and resource requirements, and identifying funding.
ICT	13,381 (net)	Nationally the threat of Cyber Security is a growing risk, and the County Council must ensure its staff and Members have sufficient skills to operate technology in a secure way to protect the data assets of the Council.	Activity built into the Digital and Technology roadmap to educate staff and Members. This will include increased cyber security training.
Business Services and Support	5,806 (net)	Ongoing increasing demands for business support for Children & Adults at risk, place increasing pressure on the service.	Work closely with service heads to identify where efficiencies can be made and assess resource requirements.
Digital Transformation and Business Support	19,612 (net)	The unknown medium and long-term impacts of all aspects of the COVID-19 emergency including employment market, changing ways of	Clear communication on priorities. Utilising business continuity plans and effective service leadership plans to identify emerging risks and pressures. Actively engage and influence the Council's recovery programme.

		working, delays to key strategic projects, income generation, capacity, and demand.	
Coroners Service	1,793 (net)	There is a risk of unavoidable additional costs in medical (pathology), analysts, funeral directors, and mortuary facility fees.	Continue to work closely with colleagues across the region conducting ongoing reviews of commissioning processes and joint working arrangements with a view to curtailing expenditure and producing additional efficiencies in this respect.
Legal Services	2,121 (net)	Demands for legal support to Children's and Adults Services place increasing pressure on the service leading to potential for cases being delayed, negative outcomes for vulnerable people and cases being outsourced to the private sector to supplement capacity. Increasing workloads and demands for legal support in relation to Litigation, particularly SEN, and Procurement, resulting in the need to outsource legal work to the private sector to relieve capacity as well as affecting team resilience and leading to delays in the provision of legal support. In addition, adding to the increasing Procurement workload, there are potentially sweeping post-Brexit changes to the public procurement regime by central government anticipated in the near future (Green Paper entitled ‘Transforming public procurement’).	Engagement with service heads to monitor the activity drivers, implementing an Improvement Plan to support and compliment the Children’s Services Improvement Plan, interim use of locum lawyers to end outsourcing of cases and seeking to recruit additional staff to progress increased caseloads. Four new Senior Lawyer posts have been appointed to (one for Litigation, one for Procurement and two for Children's Safeguarding) to increase in-house capacity and resilience and reduce the need for external legal support. A further new Senior Lawyer post in support of Adults Services and an Advocate post for Children's Safeguarding have also been secured and will be recruited to over the next 12 months.

Highway, Infrastructure Development and Waste

Service	Budget 2022/23 £'000	Risk and Impact	Mitigation
Highways Maintenance - Impact of COVID-19 pandemic	8,000	The implementation of lockdown restrictions could impact the ability of the Highways term maintenance contractor to complete planned routine and cyclic works.	Work's planning is continually monitored and reviewed. Some contractor resources can be assigned to other Highways works if required.
Highways On-Street Parking and enforcement income - Impact of COVID-19 pandemic	7,200	Further lockdown restrictions would reduce the volume of vehicles on the network and associated parking income.	The demand led nature of parking income means that there is very little scope to alleviate a reduction in income levels without further financial assistance from central government.
Highways Maintenance term maintenance contract	17,000	A new payment mechanism will be in place for the term maintenance contract from 1st April 2022. Any change of this type inevitably increases the short-term financial risk during the transition period.	Work is underway to ensure appropriate financial controls are in place prior to the start of the new payment mechanism.
Winter Maintenance and Emergencies	3,300	Winter maintenance and other emergencies which are typically weather related, cannot be predicted. There is a risk of overspend in the event of severe weather conditions. Proportions of this budget are based on a mild to average winter. Therefore, a worse than average year will place additional pressure on this budget.	There is limited scope for management action as the bulk of the costs tend to fall in the latter part of the financial year thus precluding funding by deferral of planned maintenance work. DCC policy is to respond appropriately to such events and wherever possible divert resources from other works in order to mitigate some of the costs. Scenario modelling is undertaken to assess any potential overspend.

Safety Defect Repairs	Approx. 4,000	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Over the last 7-8 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.	Works are closely monitored during the year and funds diverted from planned works where possible to mitigate increases in expenditure as far as possible.
Highways Services Income from Fees and Charges	1,200	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 £120,000.	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	29,200	Waste tonnage levels and growth rates are volatile and difficult to predict as they are subject to a range of influences outside the control of DCC, such as the wider economic climate and more working from home due to COVID-19. Similarly, the extent to which contractors will meet recycling targets is uncertain. These risks may result in the budget being over or under provided. A variation in tonnages of +/- 1% could result in a financial variation of approximately £300,000.	Current budgets reflect recent trends in waste volumes. Other than undertaking work to influence behaviours there is limited scope for management to alleviate financial pressures should tonnage increase. Tonnage levels are closely monitored. More cost effective ways of disposing of waste are continually explored.

Abbreviations

Abbreviations used within the budget for all Scrutiny reports:

ADASS	Association of Directors of Adult Social Services
AMHP	Approved Mental Health Professional
AONB	Area of Outstanding Nature Beauty
ASC	Adult Social Care
BACS	Bankers automated clearing services (electronic processing of financial transactions)
BCF	Better Care Fund - formerly known as the Integration Transformation Fund, a national arrangement to pool existing NHS and Local Government funding starting in April 2015.
Blk	Block
BRRS	Business Rates Retention Scheme
CCG	Clinical Commissioning Group
CCLA	Churches, Charities and Local Authorities
CFR	Capital Financing Requirement
CIL	Community Infastructure Levy
CIPFA	The Chartered Institue of Public Finance & Accountancy
CO	Carbon Monoxide
C of E	Church of England
CPG	Capital Programme Group
CVS	Council of Voluntary Services
CYP	Children and Young People
DAF	Devon Assessment Framework
DAP	Devon Audit Partnership
DC	District Council
DCC	Devon County Council
DDA	Disability Discrimination Act
DEFRA	Department for Environmental Food & Rural Affairs
DELETTI	Devon low-carbon Energy and Transport Technology Innovator
DFC	Devolved Formula Capital
DfE	Department for Education
DFG	Disabled Facilities Grant
DfT	Department for Transport
DLUHC	Department for Levelling Up, Housing and Communities formally known as Ministry of Housing, Communities and Local Government
DoLS	Deprivation of Liberty Safeguards
DPLS	Devon Personalised Learning Service
DPT	Devon Partnership NHS Trust
DSG	Dedicated Schools Grant
DYS	Devon Youth Services
EFA	Education Funding Agency
EH4MH	Early Help 4 Mental Health
EHCP	Education & Health Care Plans
ERDF	European Regional Development Fund
ESPL	Exeter Science Park Ltd
EU	European Union
FF&E	Fixtures, Fittings & Equipment
FTE	Full Time Equivalent
HIF	Housing Infrastructure Fund
HIV	Human Immunodeficiency Virus
HMRC	Her Majesty's Revenue & Customs
HNB	High Needs Budget
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
ILACS	Inspection of Local Authority Children's Services
INNOVASUMP	Innovations in Sustainable Urban Mobility plans for low carbon urban transport
INTERREG	European Territorial Co-operation
IVC	In Vessel Composting
LAG	Local Action Group
LEP	Local Enterprise Partnership
LGA	Local Government Association
LMC	Local Medical Committee
LPS	Liberty Protection Safeguards
LTP	Local Transport Plan
MH	Mental Health
MHCLG	Ministry of Housing, Communities and Local Government is now called Department for Levelling Up, Housing and Communities
MRP	Minimum Revenue Provision
MTCP	Medium Term Capital Programme
MTFS	Medium Term Financial Strategy
MUGA	Multi Use Games Area
MUMIS	Major Unforeseen Maintenance Indemnity Scheme
NDEC	North Devon Enterprise Centre
NDLR	North Devon Link Road
NEWDCCG	Northern, Eastern and Western Devon Clinical Commissioning Group
NFF	National Funding Formula
NHS	National Health Service
NLW	National Living Wage
NPIF	National Productivity Investment Fund
NPV	Net Present Value
OP&D	Older People & Disability
OSP	On Street Parking Account
OT	Occupational Therapist
PFI	Private Finance Initiative
PH	Public Health
PHN	Public Health Nursing
PPE	Personal Protective Equipment
PSPB	Priority School Building Project
PTE	Part-time Equivalent (15 hours)
PWLB	Public Works Loans Board
R&R	Ring and Ride
REACH	Reducing Exploitation and Absence from Care or Home
ROVICs	Rehabilitation Officers for Visually Impaired Children services
RD&E	Royal Devon & Exeter Hospital
RPA	Rural Payments Agency
RSG	Revenue Support Grant
S106	Funding from developers resulting from planning obligations authorised by section 106 of the Town and Country Planning Act 1990
SCF	Southern Construction Framework
SCOMIS	Schools Management Information Service
SEND	Special Education Needs and Disability
SGO	Special Guardianship Order
SR21	Spending Review 2021
STP	Sustainable Transformation Plan
TBC	To be confirmed
TCS	Transport Co-Ordination Services
TIDE	Atlantic Network for Developing Historical Maritime Tourism
TUPE	Transfer of Undertakings (Protection of Employment)
UASC	Unaccompanied Asylum Seeking Children
UK	United Kingdom
VELP	Vehicle Equipment Loan Pool
VfM	Value for Money
WEG	Water Environment Grant