Devon County Council

Revenue Budget 2023/24
Medium Term Financial Strategy to 2026/27
and
Capital Strategy to 2027/28

Relevant Committee Reports

The following reports may be helpful in understanding the development of budget plans for 2023/24

Date	Committee	Subject	Ref No.
11th January 2023	Cabinet	Budget Targets 2023/24	DF/23/02
20th January 2023	Health and Adult Care Scrutiny	Draft Revenue Budget 2023/24 and Capital Programme 2023/24 - 2027/28	DF/23/03
26th January 2023	Children's Scrutiny	Draft Revenue Budget 2023/24 and Capital Programme 2023/24 - 2027/28	DF/23/04
30th January 2023	Corporate, Infrastructure & Regulatory Services	Draft Revenue Budget 2023/24 and Capital Programme 2023/24 - 2027/28	DF/23/05
10th February 2023	Cabinet	Budget Impact Assessments	https://www.devon.gov.uk/impact/budget-setting-2023-2024/
10th February 2023	Cabinet	Outcomes of the Budget Consultation Meetings with representatives of the Devon Business Community, the Voluntary Sector and Trade Unions	LDS/23/2
10th February 2023	Cabinet	Overview and Scrutiny Committee recommendations	LDS/23/3
10th February 2023	Cabinet	Revenue Budget and Medium Term Financial Strategy 2023/24 - 2026/27 and Capital Programme 2023/24 - 2027/28	DF/23/18
16th February 2023	Council	Revenue Budget and Medium Term Financial Strategy 2023/24 - 2026/27 and Capital Programme 2023/24 - 2027/28	DF/23/19

Revenue Budget Overview

The Autumn Statement of 17th November 2022 and the Local Government Finance Settlement that followed on 19th December, are relatively favourable compared to recent years. This has contributed towards enabling the Authority to budget an unprecedented increase in funding for services of £114 million for 2023/24, to respond to pressures driven by high inflation and post pandemic demand for public services.

The favourable settlement is welcomed but by itself is not enough for the Authority to set a balanced budget for 2023/24 without making significant budget savings. To respond to this challenge, a cross organisational programme of transformation has identified £47.5 million of savings and new income for 2023/24 within service budgets.

Delivery of the transformation programme will not be easy but the level of commitment from teams working together as one organisation, and the level of assurance that has been involved in the budget setting process, mean that the 2023/24 budget is as robust as possible and will deliver Best Value for the people of Devon.

Furthermore, delivery of the 2023/24 budget enables us to move forward with investment in our services to drive continuous improvement and efficiency in all areas of our organisation.

The Local Government Finance Settlement 2023/24

On 19th December 2022, the Rt Hon Michael Gove, Secretary of State for Levelling Up, Housing and Communities, released a written ministerial statement to Parliament setting out the Provisional Local Government Finance Settlement for 2023/24 financial year. The final Local Government Finance Settlement 2023/24 was published on 6th February 2023.

The Local Government Finance Settlement for 2023/24 is a single year settlement, as was the previous year. Government has outlined national funding levels for 2024/25 but uncertainty remains at individual council level, as distribution mechanisms for 2024/25 are unconfirmed.

The Rt Hon Jeremy Hunt, Chancellor of the Exchequer, delivered the government's Autumn Statement on 17th November 2022. The Autumn Statement was much more positive for Local Government than had previously been expected, for the key reasons that government:

- introduced a £1 billion national adult social care discharge fund;
- deferred introducing adult social care charging reforms by 2 years (from October 2023 to October 2025) but allowed previously allocated funding for reforms to still be provided to local government;
- announced that councils will be able to raise Council Tax by an additional 1 percent above the normal referendum limit of 1.99 percent - therefore allowing a 2.99 percent increase; and
- announced that councils will be able to raise the Adult Social Care Precept by an additional 1 percent above the 1 percent that had already been announced. Combined with the above flexibility on Council Tax, this means that upper tier councils can raise Council Tax by up to 4.99% in total for 2023/24.

It should however also be noted that the Chancellor announced that the National Living Wage (NLW) will also increase by 9.7% in April 2023, which is more in line with inflation at the time of the Autumn Statement but is significantly higher than previous forecasts. Increases to the NLW have a significant financial impact for the Authority as they drive additional increases in the costs of services that the Authority buys, primarily the cost of adult social care packages. This increase is expected to add £22.5 million of additional cost across the Authority's budgets.

Overall, the Local Government Finance Settlement produces a 9.8% increase in the Authority's Core Spending Power, but this must be considered in the context of inflation at 10.5% in December 2022 and the above increase to the NLW.

The tables below set out the final settlement for Devon's Core Funding of £107.2 million, and other grants.

	£'000
Revenue Support Grant	(669)
BRRS Central Government Top Up	(83,428)
BRRS Local Element*	(23,064)
Core Funding	**(107,161)**
New Homes bonus	(963)
Rural Services Delivery Grant	(8,744)
Social Care Grant	(54,015)
Improved Better Care Fund	(29,127)
Adult social care Market Sustainability and Improvement Func	(8,373)
Adult Social Care Discharge Fund	(4,084)
Services Grant	(4,152)
Other Grants	**(109,458)**

*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 on 11th January 2023; these are shown on pages 40 to 85.

Since the setting of budget targets, an opportunity to reduce the budget pressures in Integrated Adult Social Care services by £1.6 million has been identified. If this change to pressures targets is approved, the budget savings can also be reduced by the same amount.

The detailed budgets on pages 40 to 85 comply with the Targets set by Cabinet on 11th January, adjusted by £1.6 million as described in the previous paragraph. The net total remains at £696 million.

The cost of living and geopolitical situation has created huge financial pressures nationally. Consequently, the authority has faced unprecedented price and demand pressures in the current year and although significant savings have been found to offset this, many have been one off measures. The ongoing impact of this and other pressures have been included within the target budgets with investment of £51.5 million to cover inflation and national living wage being required and a further £62.2 million to cover demand pressures. To enable the authority to set a balanced budget, savings, alternative funding, and additional income of £47.5 million have been identified. Overall, there is additional funding of £66.2 million or 10.5% for service budgets next year.

The targets set for each service area have been subject to different pressures and influences. The table below shows the 2023/24 Budget Targets by service area.

	2022/23 Adjusted Budget *	Inflation and National Living Wage	Other Pressures	Savings, alternative funding and additional income	2023/24 Budget	Net change	
	£'000	£'000	£'000	£'000	£'000	£'000	%
Integrated Adult Social Care	311,968	29,535	28,368	(30,569)	339,302	27,334	8.8%
Children and Young People's Futures	176,205	9,585	32,376	(9,563)	208,603	32,398	18.4%
Public Health, Communities & Prosperity	20,308	874	617	(404)	21,395	1,087	5.4%
Corporate Services	42,213	4,470	623	(2,458)	44,848	2,635	6.2%
Climate Change, Environment & Transport	79,117	7,037	214	(4,468)	81,900	2,783	3.5%
	629,811	**51,501**	**62,198**	**(47,462)**	**696,048**	**66,237**	**10.5%**

* Adjusted for permanent virements

The risks associated with the delivery of the 2023/24 budget and the mitigating action needed to try to contain that risk is detailed on pages 151 to 175.

Revenue Expenditure - Other items

Key Table 1 on page 9 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 20 to 36. Factors that influence the income gained from our balances are set out on pages 120 to 138 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 £9.5 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 119 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 87 to 113. The level of uncertainty over future funding means that significant assumptions have to be made; when future funding levels are known the MTFS will be updated on an iterative basis throughout the year ahead, with the latest iteration being published in the 2024/25 budget book. 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 13 and 14. The most significant specific grant is the Dedicated Schools Grant which must be spent on schools and related expenditure. For 2023/24 the Dedicated Schools Grant has increased to £659.7 million from £634.9 million in 2022/23. In spite of this increase Devon's schools remain some of the most poorly funded by Government.

Conclusion

The national context for setting the 2023/24 budget and MTFS has been particularly challenging:

- High inflation peaking at the highest level for 41 years in October 2022
- Post pandemic increase in demand for public services
- Changes of government
- Workforce challenges

These challenges have brought the organisation closer together and enabled organisational transformation, with cross departmental working practices now embedded. This approach has enabled us to respond to the national challenges with local solutions. We have plans to deliver £47.5 million of savings and new income within service budgets that have been through a detailed assurance process. Transforming the way we work are expanded upon in the MTFS section on pages 98 to 112.

The favourable finance settlement for 2023/24 enables us to set a balanced budget that is deliverable and robust. Furthermore, the MTFS recognises the ongoing challenges that we face but delivers on supporting our transformation ambitions and commitment to Best Value in all that we do.

Key Table 1 – Council Tax Requirement

2022/23 Adjusted Budget £'000		Changes £'000	2023/24 Budget £'000
311,968	Integrated Adult Social Care	27,334	339,302
176,205	Children and Young People's Futures	32,398	208,603
20,308	Public Health, Communities & Prosperity	1,087	21,395
42,213	Corporate Services	2,635	44,848
79,117	Climate Change, Environment & Transport	2,783	81,900
700	Central Contingency - Apprenticeship Levy	70	770
(519)	Pension contribution	(2,858)	(3,377)
0	Workforce inflation contingency	3,240	3,240
1,000	Insurance Provision	(1,000)	0
630,992	**TOTAL SERVICE BUDGETS**	**65,689**	**696,681**
39,507	Capital Financing Charges	(896)	38,611
12,793	Schools and Energy from Waste PFI & PPP Financing Charges	(99)	12,694
(900)	Interest on Balances	(2,850)	(3,750)
50	Council Tax Support Partnership	0	50
0	Income generation initiatives and review of balances	(770)	(770)
0	Transformation & Best Value	(5,000)	(5,000)
1,000	Bellwin Scheme Related Emergencies	(1,000)	0
0	New Burdens Contingency	5,000	5,000
0	Citizen Advice Bureau additional grant	100	100
0	Growing Communities Together	150	150
0	Transformation Investment and Contingency	2,000	2,000
2,000	Adult Care & Health Transformation - Health funding	(2,000)	0
1,000	Highways drainage and cyclic maintenance	1,000	2,000
2,413	Market Sustainability & Cost of Care Fund	(2,413)	0
6,949	Spending from Reserves	5,369	12,318
0	Spending from Public Health reserve	4,180	4,180
643	Environment Agency - Flood Defence	13	656
359	Inshore Fisheries Conservation Authority (IFCA)	0	359
(6,949)	Use of Reserves	(5,369)	(12,318)
0	Use of Public Health reserve	(4,180)	(4,180)
(22,938)	Contribution from Reserves	22,938	0
0	Domestic Violence - new legislation	(1,454)	(1,454)
(2,000)	Health Contribution	2,000	0
(18,428)	Business Rates - Government Grants and pooling gain	(8,677)	(27,105)
(1,476)	Education statutory retained duties - schools contribution	0	(1,476)
(318)	Core school improvement activities - schools contribution	(322)	(640)
(317)	School Improvement Grant	317	0
(675)	Local Service Support Grant	(300)	(975)
(2,143)	New Homes bonus	1,180	(963)
(7,823)	Rural Services Delivery Grant	(921)	(8,744)
(2,413)	Adult Social Care Reform/Market Sustainability Grant	(5,960)	(8,373)
(120)	Cyber Security	120	0
(7,076)	Services Grant	2,924	(4,152)
(34,939)	Social Care Grant (and Independent Living Fund)	(19,076)	(54,015)
0	Adult Social Care Discharge Fund	(4,084)	(4,084)
(29,126)	Improved Better Care Fund	(1)	(29,127)
560,065	**NET BUDGET (BUDGET REQUIREMENT)**	**47,608**	**607,673**
(582)	Revenue Support Grant	(87)	(669)
(80,654)	BRRS Central Government Tariff/(Top Up)	(2,774)	(83,428)
(19,145)	BRRS Local Element	(2,421)	(21,566)
7,464	Collection Fund (Surplus)/Deficit - Business Rates	(8,180)	(716)
(4,954)	Collection Fund (Surplus)/Deficit - Council Tax	(4,535)	(9,489)
(462,194)	**COUNCIL TAX REQUIREMENT**	**(29,611)**	**(491,805)**

The 2023/24 Band D Council Tax is increased by 4.99% to £1,634.13

Key Table 2 – Precept & Council Tax

TOTAL SPENDING TO BE MET FROM COUNCIL TAX

	£'s
County Council Budget funded by District Councils' collection funds	501,293,811.58
Net Surplus on Council Tax collection in previous years	(9,488,645.05)
Total to be met from Council Tax precepts in 2023/24	**491,805,166.53**

EQUIVALENT NUMBERS OF BAND "D" PROPERTIES

District Council	Tax Base (Relevant Amount)	Tax Base Used for Collection	Collection Rate %
East Devon	62,463.00	61,653.00	98.70
Exeter	39,430.00	38,247.00	97.00
Mid Devon	30,915.01	29,832.98	96.50
North Devon	35,985.58	35,085.94	97.50
South Hams	40,762.84	39,949.00	98.00
Teignbridge	51,292.30	50,215.00	97.90
Torridge	25,254.71	24,749.62	98.00
West Devon	21,769.66	21,225.87	97.50
Total	**307,873.10**	**300,958.41**	**97.75**

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	143.28	946.14	**1,089.42**
B	7/9	77.8	167.16	1,103.83	**1,270.99**
C	8/9	88.9	191.04	1,261.52	**1,452.56**
D	**1**	**100.0**	**214.92**	**1,419.21**	**1,634.13**
E	11/9	122.2	262.68	1,734.59	**1,997.27**
F	13/9	144.4	310.44	2,049.97	**2,360.41**
G	15/9	166.7	358.20	2,365.35	**2,723.55**
H	18/9	200.0	429.84	2,838.42	**3,268.26**

The County Council Tax for Band D represents an increase of 4.99% on the 2022/23 figure.

NET AMOUNT DUE FROM EACH DISTRICT COUNCIL IN 2023/24

District Council	Surplus/(deficit) for 2022/23 £'s	Precepts Due 2023/24 £'s	Total due in 2023/24 £'s
East Devon	2,379,618.00	100,749,016.89	103,128,634.89
Exeter	893,055.37	62,500,570.11	63,393,625.48
Mid Devon	136,051.25	48,750,967.61	48,887,018.86
North Devon	1,007,039.30	57,334,987.13	58,342,026.43
South Hams	1,986,000.00	65,281,859.37	67,267,859.37
Teignbridge	718,307.00	82,057,837.95	82,776,144.95
Torridge	624,574.13	40,444,096.53	41,068,670.66
West Devon	1,744,000.00	34,685,830.94	36,429,830.94
	9,488,645.05	**491,805,166.53**	**501,293,811.58**

Key Table 3 – Reserves and Balances

COUNTY FUND BALANCES	£'000
Estimated balance as at 31st March 2023	**15,825**
No change	
Estimated balance as at 31st March 2024	**15,825**

Note: The estimate of both working balances and earmarked funds as at March 2023 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 2023 £'000	Estimated Spending £'000	Transfer between reserves £'000	Estimated Balance at 31 March 2024 £'000
General Earmarked Reseves				
Budget Management	35,915	(4,931)	(4,000)	**26,984**
Business Rates Pilot	520	(520)		**0**
Business Rates Risk Management	17,233			**17,233**
Climate Change Emergency	1,509	(151)		**1,358**
Emergency	19,089	0		**19,089**
Regeneration and Recovery	260	(260)		**0**
Service Transformation	6,156	(5,828)	4,000	**4,328**
Total General Earmarked Reserves	**80,682**	**(11,690)**	**0**	**68,992**
Special purpose/statutory reserves				
On Street Parking	1,083	(628)		**455**
Public Health	12,115	(4,180)		**7,935**
Total Earmarked Revenue Reserves	**93,880**	**(16,498)**	**0**	**77,382**

Key Table 4 – Medium Term Financial Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Integrated Adult Social Care	339,302	375,957	410,053	445,347
Children and Young People's Futures	208,603	238,060	251,941	265,811
Public Health, Communities & Prosperity	21,395	21,653	22,206	22,635
Corporate Services	44,848	48,430	49,360	50,739
Climate Change, Environment & Transport	81,900	85,688	89,080	91,988
Savings to Services	0	0	(20,719)	(50,973)
County Council Election	0	0	1,500	0
Central Contingency - Apprenticeship Levy	770	810	826	843
Pension contribution	(3,377)	(3,584)	(3,618)	(3,618)
Workforce inflation contingency	3,240	3,240	3,240	3,240
Insurance Provision	0	1,000	1,000	1,000
Total Service Budget	**696,681**	**771,254**	**804,869**	**827,012**
Other Budgets:				
Capital Financing Charges	38,611	39,349	39,621	39,847
Schools and Energy from Waste PFI Financing Charges	12,694	12,694	12,694	12,694
Interest on Balances	(3,750)	(3,500)	(3,500)	(3,500)
Council Tax Support Partnership	50	50	50	50
Income generation initiatives and review of balances	(770)	(270)	(270)	(270)
Transformation savings strategy	(5,000)	(5,000)	(5,000)	(5,000)
New Burdens Contingency	5,000	11,938	11,938	11,938
Citizen Advice Bureau additional grant	100	100	100	100
Growing Communities Together	150	150	150	150
Transformation Investment and Contingency	2,000	2,000	2,000	2,000
Highways drainage and cyclic maintenance	2,000	0	0	0
Spending from Reserves	12,318	4,302	3,089	859
Spending from Public Health Reserve	4,180	2,500	700	0
Payments to Outside Bodies				
Environment Agency - Flood Defence	656	669	682	696
Inshore Fisheries Conservation Authority (IFCA)	359	370	381	392
Reserves and Balances				
Use of Reserves	(12,318)	(4,302)	(3,089)	(859)
Use of Public Health Reserve	(4,180)	(2,500)	(700)	0
Other Grant Income				
Domestic Violence - new legislation	(1,454)	(1,482)	(1,482)	(1,482)
Business Rates - Government Grants	(27,105)	(28,513)	(29,053)	(29,604)
Education statutory retained duties - schools contribution	(1,476)	(1,476)	(1,476)	(1,476)
Core school improvement activities - schools contribution	(640)	(640)	(640)	(640)
Local Service Support Grant	(975)	(975)	(975)	(975)
New Homes bonus	(963)	0	0	0
Rural Services Delivery Grant	(8,744)	(8,744)	(8,744)	(8,744)
Market Sustainability & Cost of Care Fund	(8,373)	(12,589)	(12,589)	(12,589)
Services Grant	(4,152)	(4,152)	(4,152)	(4,152)
Social Care Grant	(54,015)	(62,597)	(62,597)	(62,597)
Adult Social Care Discharge Fund	(4,084)	(6,806)	(6,806)	(6,806)
Improved Better Care Fund	(29,127)	(29,127)	(29,127)	(29,127)
NET BUDGET (BUDGET REQUIREMENT)	**607,673**	**672,703**	**706,074**	**727,917**
Financed By:				
Revenue Support Grant	(669)	(706)	(720)	(735)
BRRS Central Government Tariff/(Top Up)	(83,428)	(88,017)	(89,777)	(91,572)
BRRS Local Element	(21,566)	(22,752)	(23,207)	(23,671)
Collection Fund Deficit/(Surplus) - BRRS	(716)	1,000	1,000	1,000
Collection Fund Deficit/(Surplus) - Council Tax	(9,489)	(4,000)	(4,000)	(4,000)
100% Council Tax Premium on 2nd homes	0	(16,000)	(16,643)	(17,312)
COUNCIL TAX REQUIREMENT	(491,805)	(521,509)	(542,473)	(564,279)
Budget savings required/(Surplus)	**0**	**20,719**	**30,254**	**27,348**
Savings and additional income	(47,462)	(6,353)	(1,475)	(1,152)
Further savings required	0	(20,719)	(30,254)	(27,348)
Total Savings to be delivered	(47,462)	(27,072)	(31,729)	(28,500)

Key Table 5 – Government Specific Grants

Service and Grant Title	Funded by	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'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	20,723	13,230	13,230	13,230
		21,594	**14,101**	**14,101**	**14,101**
Adult Commissioning and Health					
Local Reform Community Voices Grant	Department of Health	370	370	370	370
Contributions	Health and other local authorities	2,232	1,204	1,204	1,204
		2,602	**1,574**	**1,574**	**1,574**
Children and Young People's Futures					
Assessed and Supported Year in Employment	Department for Education	26	26	26	26
Youth Detention Grant	Ministry of Justice	20	20	20	20
Staying Put Grant	Department for Education	450	450	450	450
Secure Stairs Grant	NHS England	688	688	688	688
Youth Justice Grant	Youth Justice Board	69	69	69	69
Unaccompanied Asylum Seekers Grant	Home Office	3,045	3,045	3,045	3,045
Supporting Families Programme	Department for Communities & Local Government	2,284	2,284	2,284	2,284
Turning Corners	Police & Crime Commissioner	128	0	0	0
Reducing Parental Conflict	Department for Education	59	0	0	0
Social Workers in Schools - What Works	Department for Education	239	0	0	0
Restorative Devon	Department for Education	0	0	0	0
Contributions	Health and other local authorities	3,538	3,538	3,538	3,538
		10,546	**10,120**	**10,120**	**10,120**
Education and Learning					
Dedicated Schools Grant*	Education Funding Agency	659,731	676,791	676,791	676,791
Mainstream Schools Additional Grant	Education Funding Agency	17,060	0	0	0
Post 16 Funding	Education Funding Agency	1,052	1,052	1,052	1,052
Pupil Premium	Education Funding Agency	28,769	28,769	28,769	28,769
Universal Infant Free School Meals	Education Funding Agency	7,640	7,640	7,640	7,640
PE & Sport Grant	Department for Education	5,641	5,641	5,641	5,641
Teacher's Pay Grant	Education Funding Agency	117	0	0	0
Teacher's Rension Grant	Education Funding Agency	768	0	0	0
Contributions	Health and other local authorities	722	722	722	722
Virtual School Heads Grant	Department for Education	133	0	0	0
Holiday Activities and Food Programme	Department for Education	1,856	0	0	0
Music Grant	Arts Council	1,095	1,095	1,095	1,095
		724,584	**721,710**	**721,710**	**721,710**
Economy and Enterprise					
Developing Entrepreneurship in Schools	Interreg Europe	2	0	0	0
North Devon Enterprise Centre	European Regional Development Fund	83	0	0	0
Building Better Opportunities Focus 5	Big Lottery	92	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	1,077	1,077	1,077	1,077
Learn Devon - 14-19 EFA Funding	Education Funding Agency	72	50	25	0
Trading Standards	Government Grants	80	80	80	0
Future Farming Resilience Scale Up	DEFRA	1,184	838	0	0
New Futures	Learning & Work Institute	140	0	0	0
Digital Business Utilisation Service	Other Local Authorities	211	145	0	0
Sustainable Food Places	Other	2	0	0	0
The Digital Skills Service	Other Local Authorities	954	0	0	0
Supported Internships	Other	57	57	0	0
		6,108	**4,401**	**3,336**	**3,231**

*The Dedicated Schools Grant is estimated on October 2022 pupil numbers. The final grant allocation is expected to be notified by the end of March 2023.

Service and Grant Title	Funded by	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Planning, Transportation and Environment					
Areas of Outstanding Natural Beauty	DEFRA	741	363	363	363
Areas of Outstanding Natural Beauty	Other Local Authorities	71	71	71	71
Environment	Other Local Authorities	13	4	0	0
Environment	Other	85	4	1	0
Maritime and Fisheries projects	Other Local Authorities	13	13	13	13
Maritime and Fisheries projects	Other	14	14	14	14
FutureMares	Interreg Europe	4	4	0	0
Finding Nature's Footprints	Heritage Lottery Fund	83	82	0	0
Connecting Natural Capital for the Culm (NEIRF)	Enviroment Agency	16	0	0	0
Bus Service Operators Grant	Department of Transport	1,146	1,146	1,146	1,146
Bus Service Improvement Plan	Department of Transport	2,198	1,769	0	0
Transport contributions	Other Local Authorities	57	57	57	57
Transport contributions	Other	994	994	994	994
		5,435	**4,521**	**2,659**	**2,658**
Communities and Other Services					
Active Devon	Sport England	775	775	613	613
Active Devon	Other	689	750	763	763
Active Devon	Other Local Authorities	52	0	0	0
Syrian Refugees	Home Office	63	13	4	0
Afghan Refugees	Home Office	1,328	141	0	0
Ukrainian Refugees	Home Office	1,110	0	0	0
Sherford Library	Other	12	12	12	0
Emergency Planning	Other Local Authorities	43	0	0	0
		4,072	**1,691**	**1,392**	**1,376**
Public Health					
Public Health	Department of Health	29,828	29,828	29,828	29,828
Nicotine Replacement Therapy Contribution	New Devon CCG	650	650	650	0
Diabetes Lifestyle Intervention Programme	Big Lottery	55	0	0	0
Supplementary Substance Misuse & Treatment	Office of Health Improvement & Disparities	568	0	0	0
Rough Sleeper Drug & Alcohol Treatment	Office of Health Improvement & Disparities	965	0	0	0
NIHR Public Health Research	RD&E	66	0	0	0
		32,132	**30,478**	**30,478**	**29,828**
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	2,055	2,074	2,094	2,115
		8,992	**9,011**	**9,031**	**9,052**
Infrastructure Development and Waste Management					
Food Rescue	National Lottery Community Fund	**56**	**0**	**0**	**0**
Highways and Traffic Management					
Park & Ride Sites	Health	35	35	35	35
South West Coast Path & Country Parks	Other Local Authorities	45	45	45	45
South West Coast Path & Country Parks	Rural Payments Agency	17	17	17	17
South West Coast Path & Country Parks	Heritage Lottery Fund	0	0	0	0
South West Coast Path & Country Parks	Historic England	0	0	0	0
South West Coast Path & Country Parks	Natural England	112	112	112	112
		209	**209**	**209**	**209**
Total		**816,330**	**797,816**	**794,610**	**793,859**

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

2022/23 £'000	Service and Grant Title	2023/24 £'000
	Integrated Adult Social Care Operations	
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**
	Integrated Adult Social Care Commissioning	
27	Recovery Devon	28
47	Devon Recovery Learning	47
38	Bridge Collective open access MH support	39
15	Connections open access MH support	15
25	Exeter CVS First step project open access MH support	25
152		**154**
	Children and Young People's Futures	
139	University Bursary Grants	152
120	Facilitating Access to Mainstream Activities for Disabled Children's Services	120
259		**272**
	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
25	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
453		**453**
	Communities and Other Services	
400	Citizens Advice Bureau	500
62	Devon Communities Together	62
462		**562**
	Public Health	
0	Contribution to NHSE - Mental Health Treatment Requirements	10
0		**10**
	Highways and Traffic Management	
9	Meldon Viaduct	9
9		**9**
1,432	**TOTAL**	**1,557**

Key Table 7 – Staffing Data

	2022/23 Adjusted Total FTEs	Changes FTEs	2023/24 Revenue Funded FTEs	2023/24 Externally Funded FTEs	Total FTEs
Integrated Adult Social Care Commissioning	191	(33)	144	14	158
Integrated Adult Social Care Operations	1,125	(62)	972	91	1,063
Integrated Adult Social care	**1,316**	**(95)**	**1,116**	**105**	**1,221**
Children Social Care, Health and Wellbeing	1,395	42	1,118	319	1,437
Education and Learning - School Funding	113	(9)	0	104	104
Education Learning and Inclusion Services	275	15	262	28	290
Children and Young People's Futures	**1,783**	**48**	**1,380**	**451**	**1,831**
Highways and Traffic Management	301	4	305	0	305
Infrastructure Development and Waste	113	0	113	0	113
Planning, Transportation and Environment	188	4	167	25	192
Climate Change, Environment and Transport	**602**	**8**	**585**	**25**	**610**
Chief Executive, Legal, Organisational Change, Policy Integration and HR	329	6	330	5	335
Digital Transformation and Business Support	544	3	484	63	547
Finance and Public Value	377	10	249	138	387
Corporate Services	**1,250**	**19**	**1,063**	**206**	**1,269**
Communities and Citizen Engagement	97	(4)	59	34	93
Economy, Enterprise and Skills	226	(16)	66	144	210
Public Health	45	(2)	0	43	43
Public Health, Communities and Prosperity	**368**	**(22)**	**125**	**221**	**346**
Total	**5,319**	**(42)**	**4,269**	**1,008**	**5,277**

Explanation of Movements

Integrated Adult Social Care Commissioning	
Temporary staff to support savings plans now removed	(10)
European social fund - new externally funded posts	1
Required savings - Commissioning	(13)
Required savings - Mental Health	(11)
	(33)
Integrated Adult Social Care Operations	
Temporary staff to support savings plans now removed	(12)
Efficiencies and Consolidation of in-house Service Provision	(32)
Reduction in externally funded posts IBCF	(17)
TUPE Employees leaving DCC Employment	(6)
Regulation of Adult Social Care by CQC	5
	(62)
Children's Social Care, Health and Wellbeing	
Public Health Nursing Service - grant funded	18
Increased capacity residential children's homes	11
Service improvement - organisation restructure	13
	42
Education and Learning -School Funding	
Cessation and redirection of SEND transformation	(7)
Review of the Hospital School	(1)
Other net changes - change of funding source	(1)
	(9)
Education, Learning and Inclusion Services	
SEND and service transformation - increased capacity	10
Inclusion Services - increased capacity	10
Babcock in-housing - Review of Senior Leadership Team	(3)
Babcock in housing - Other net changes	(2)
	15
Highways and Traffic Management	
Highways permitting scheme	4
Stakeholder Relations Officers	2
Externally funded - Stover HLF project	(2)
	4
Planning, Transportation and Environment	
Transport Coordination Officers	2
Transportation Planning Officers	3
Environment Officers	2
External funding projects	(3)
	4
Chief Executive, Legal, Organisational Change, Policy Integration and HR	
HR - Temporary Pay & Allowances project staff	5
HR - Equality, Diversity & Inclusion officer	1
HR - Social Work Recruitment	1
Organisational Change - Temporary post ceased	(1)
	6

Digital Transformation and Business Support	
Business Support transfer from Public Health Nursing	3
Information Governance	1
Digital Technology Service - Systems Development Officer	1
Transfer of Energy Manager post to Climate Change, Environment & Transport	(1)
Digital Technology Service - Temporary post ceased	(1)
	3
Finance and Public Value	
Temporary Finance Transformation posts	7
Pensions (externally funded)	5
Transfer from Children's Social Care	1
Temporary posts ceased	(3)
	10
Communities and Citizens Engagement	
Externally funded - Food Insecurity temporary roles	(3)
Externally funded - Various projects	(1)
	(4)
Economy, Enterprise and Skills	
Externally funded - Reduction in Learn Devon posts	(5)
Externally funded - Various projects	(1)
Trading Standards - post deletions	(6)
Economy vacant posts deleted	(2)
Temporary roles removed - Economic Recovery	(1)
Various roles - reduction in hours	(1)
	(16)
Public Health	
Externally funded - Core Function	(1)
Externally funded - Temporary roles	(1)
	(2)
Total	**(42)**

Statement on the Robustness of the Budget Estimates, the Adequacy of the Authority'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 Authority 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 2023/24 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 151 to 175. 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 2023/24 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 114.

The Authority also holds earmarked reserves for specific purposes. The level of earmarked reserves as at 31st March 2024 is estimated at £77.4 million. The total for revenue reserves and balances for 2023/24 is forecast as £93.2 million. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Budget monitoring experience in 2022/23 provides an indication of the pressures facing the Authority in 2023/24. In 2022/23 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 2023/24 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 2023/24. 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 2023/24 – 2027/28

The Capital Programme aims to optimise the use of 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 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 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 funding, which is 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 use of internal or external borrowing is limited. Whilst the 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 capital receipts, then any capital programme growth is reliant on the availability of the cash resources, where new schemes would be funded from internal or external borrowing.

There has been no need to externally borrow since January 2008 as a result of the effective use of internal borrowing and capital receipts. However, the Treasury Management and Capital Strategies recognise that there may be an opportunity to externally borrow to restructure existing debt, or to borrow now at optimum interest rates. Such flexibility is essential to ensure cash resources are sufficient to support future objectives and the needs of the Capital Programme. The strategies also note that in order to undertake or invest in a new major strategic project, external borrowing may be required. This option has already been approved by Cabinet for the Freeport project in 2024/25, which will be part funded by external borrowing. That external borrowing, plus interest, will be repaid by a share of future Business Rates income.

Future new additions to the capital programme, which are not externally funded, will be subject to the availability of cash resources, the ability to generate capital receipts and any legislative restrictions imposed by Central Government with respect to external borrowing by Local Authorities. Any delay or restriction in these areas of funding may lead to schemes being paused, reprioritised 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 operational services. Over the five year period between 2023/24 to 2027/28 the Capital Programme will see a net increase of £134.8 million funded in the following ways:

- An increase in externally funded projects of £126.4 million, mainly due to the addition of the 2027/28 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:
  - £99.6 million Local Transport Plan (LTP) grant
  - £9.6 million seed funding for the Plymouth & South Devon Freeport
  - £8.2 million Disabled Facilities Grant (DFG)
  - £3.6 million estimated LTP Integrated Transport Block grant funding
  - £1.5 million in estimated schools grant funding or contributions

.

- A net Increase in Corporately funded capital projects as set out in Table A of £8.4 million, is mainly from forecast capital receipts and internal and (for Freeport) external 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.
- The Levelling Up Round Two bid for capital grant funding was successful for the following two projects. As the funding announcement has only just been made, these projects will be added to the Capital Programme in April 2023 along with any Devon County Council match funding, as agreed under Cabinet report PTE/22/19 on 11th May 2022.

  - West Devon Transport Hub £13.5 million a West Devon Borough Council Scheme being delivered by Devon County Council.
  - Destination Exmouth £15.8 million.

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

Project	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rolling Budgets - Reduced 25%						
Building Maintenance	(225)	(225)	(225)	(225)	0	**(900)**
County Farms Estate Enhancement Programme	(250)	(150)	(150)	(150)	0	**(700)**
Property Enabling Budget	(38)	(38)	(38)	(38)	0	**(152)**
Replace and Upgrade Corporate Estate	(150)	(150)	(150)	(150)	0	**(600)**
Waste Recycling Centre - Capital works	(55)	(55)	(55)	(55)	0	**(220)**
Youth service minor capital works	(10)	(10)	(10)	(10)	0	**(40)**
Other reductions / Adjustments						
Carbon Reduction Programme	(602)	0	0	0	0	**(602)**
DCC Operating Model ICT Replacement and Renewal	0	(200)	(950)	(200)	0	**(1,350)**
Fleet Vehicle purchases (previously VELP)	870	0	0	0	0	**870**
Flood prevention works	(281)	(10)	(120)	(90)	0	**(501)**
Grant to foster carers	(30)	0	0	0	0	**(30)**
Mill Water School - Extension	(60)	0	0	0	0	**(60)**
Replacement for 20 St George's Road	(1,000)	0	0	0	0	**(1,000)**
wall	(125)	0	0	0	0	**(125)**
Vehicle Equipment Loans Pool - Fleet (removed)	(1,109)	(1,136)	(1,246)	(1,431)	0	**(4,922)**
Vehicle Equipment Loans Pool - Schools (reduced)	(100)	(100)	(100)	(100)	0	**(400)**
Winter Maintenance Vehicle purchases (previously VELP)	239	0	0	0	0	**239**
Corporate Funding - Replaced by Grant						
Okehampton Special School	(920)	0	0	0	0	**(920)**
Corporately Funded - Increase						
A361 North Devon Link Road	(11)	(201)	460	0	0	**248**
Plymouth & South Devon Freeport	0	7,669	2,331	5,000	0	**15,000**
Streetlighting - Telensa Expansion	2,180	2,057	0	0	0	**4,237**
Winter Maintenance Vehicle purchases (previously VELP)	317	0	0	0	0	**317**
Total Increase (Reduction) to Corporate Capital Programme	**(1,360)**	**7,451**	**(253)**	**2,551**	**-**	**8,389**
Corporately Funded REPROFILING						
A361 North Devon Link Road	(2,731)	2,731	0	0	0	**0**
Tavistock Household Waste Recycling Centre	(417)	(4,054)	3,521	950	0	**0**
River Dart Academy - Dartington School site development	(406)	406	0	0	0	**0**
Introduction of (or changes to) Externally Funded Projects	**(14,240)**	**43,725**	**13,895**	**15,188**	**67,806**	**126,374**
Total Increase (Decrease) to Capital Programme	**(19,154)**	**50,259**	**17,163**	**18,689**	**67,806**	**134,763**

Financed by:	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing - External	0	7,669	2,331	5,000	0	**15,000**
Borrowing - Internal	(2,350)	1,817	2,635	(1,589)	0	**513**
Capital Receipts - General	(2,564)	(2,952)	(1,698)	90	0	**(7,124)**
External Funding	(14,240)	43,725	13,895	15,188	67,306	**125,874**
Revenue Contribution (School Budget Share)	0	0	0	0	500	**500**
Total	**(19,154)**	**50,259**	**17,163**	**18,689**	**67,806**	**134,763**

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**
2022/23	**5,360**	13,950	(18,181)	6,284	**7,413**
2023/24	7,413	4,688	(6,654)	(3,531)	**1,916**
2024/25	1,916	5,372	(4,801)	(1,513)	**974**
2025/26	974	2,356	(2,150)	0	**1,180**
2026/27	1,180	5,451	(1,590)	0	**5,041**
2027/28	5,041	4,200	0	0	**9,241**
		36,017	**(33,376)**	**1,240**	

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

There remains a small amount of internal borrowing allocate to the Vehicle and Equipment Loans Pool (VELP). These are small loans provided to schools 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 annual loan repayments.

Table C – Internal Borrowing

	Internal Borrowing Commitments	*MRP Indicative Annual Impact
	£'000	**£'000**
2023/24 to 2026/27 Approved and committed	15,995	640
2023/24 Net impact of changes to / NEW Internal Borrowing	513	21
	16,508	**661**

*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				

Risk Title:	**Inherent Score**	**Current (Mitigated) Score**	**Mitigations**
Capital Scheme costs are higher than estimated	Impact: 4 Likelihood: 5 20 – High	Impact: 2 Likelihood: 4 8 – Low	• 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 • Litigation is unlikely as legal team are 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
Risk Description Due to: • Inaccurate or overly optimistic original estimates • Unexpected events causing increased costs, either inside or outside of our control, as well as additional supply chain, resource and transportation costs • Economic factors such as interest rate rises • 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			

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

External funding resources are not received</td>
<td>Inherent Score</td>
<td>Current (Mitigated) Score</td>
<td>Mitigations</td>
</tr>
<tr>
<td>Impact: 3
Likelihood 4
12 – Medium</td>
<td>Impact: 2
Likelihood: 3
6 – Low</td>
<td rowspan="2">
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 reprioritised. Capital projects reengineered, 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 and Public Value
</td>
</tr>
<tr>
<td colspan="3">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 or schemes.
</td>
</tr>
<tr>
<td rowspan="2">Risk Title:

Capital Programme is not delivered as planned</td>
<td>Inherent Score</td>
<td>Current (Mitigated) Score</td>
<td>Mitigations</td>
</tr>
<tr>
<td>Impact: 3
Likelihood 6
18 – High</td>
<td>Impact: 3
Likelihood: 4
12 – Medium</td>
<td rowspan="2">
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 and oversight, and supports the Capital Programme delivery
Regular monitoring by Director of Finance and Public Value
Projects are monitored at a service level and board level
</td>
</tr>
<tr>
<td colspan="3">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 reengineering
Contractual variations
Seasonal variations
</td>
</tr>
</table>

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

Capital Receipts arising later or lower than forecast</td><td>Inherent Score</td><td>Current (Mitigated) Score</td><td>Mitigations</td></tr>
<tr><td>Impact: 4
Likelihood 4
16 – High</td><td>Impact: 3
Likelihood: 4
12 – Medium</td><td rowspan="2">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</td></tr>
<tr><td colspan="3">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
Lasting economic impact of COVID-19 and current cost of living crisis
Resulting in a need to reprioritise schemes.</td></tr>
<tr><td rowspan="2">Risk Title:

Risk of government funding to other geographical areas</td><td>Inherent Score</td><td>Current (Mitigated) Score</td><td>Mitigations</td></tr>
<tr><td>Impact: 3
Likelihood 4
12 – Medium</td><td>Impact: 2
Likelihood: 4
8 – Low</td><td rowspan="2">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 and Public Value.
Monitoring by individual project and programme groups.</td></tr>
<tr><td colspan="3">Risk Description
Central government priority or policy determines where funds are directed or funds available to bid for. Action taken by Central Government to mitigate the effects of COVID-19, 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 to bid for funding.</td></tr>
</table>

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

Capital Project aborted due to external forces</td><td>Inherent Score</td><td>Current (Mitigated) Score</td><td>Mitigations</td></tr>
<tr><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 reengineering 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 and Public Value
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 which results in costs to date becoming revenue in nature.

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 Authority will be investing over £529 million in Devon over the next five years. The latest forecast of the programme analysed by funding sources is shown in Table D. The funding available in forecast years may change as Government policies and grant allocations are announced.

Table D - Medium Term Capital Programme Summary £529 million.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Integrated Adult Social Care	8,345	8,345	8,345	8,345	8,345
Children & Young People's Futures	1,920	1,750	1,700	1,650	1,510
Climate Change, Environment & Transport	155,987	113,305	71,462	68,563	57,951
Finance & Public Value	0	0	0	0	0
Public Health, Communities & Prosperity	177	27	27	27	0
Transformation, Performance & Resources	6,054	1,743	1,688	1,688	0
Legal & Democratic Services	0	0	0	0	0
Total	**172,483**	**125,170**	**83,222**	**80,273**	**67,806**

Funding Source	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Borrowing - External	0	7,669	2,331	5,000	0
Borrowing - Internal	6,526	3,973	4,471	1,540	0
Borrowing - Internal Forward Funding	440	68	460	0	0
Borrowing - VELP	100	100	100	100	0
Capital Receipts - General	6,654	4,801	2,150	1,590	0
Direct Revenue Funds - Services	530	500	500	500	500
External Funding - Contributions	3,224	837	100	100	100
External Funding - Grants	148,022	102,828	73,110	71,443	67,206
External Funding - S106	6,987	4,394	0	0	0
Total	**172,483**	**125,170**	**83,222**	**80,273**	**67,806**

Detailed Medium Term Capital Programme 2023/24 – 2027/28

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

Integrated Adult Social Care

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Integrated Adult Social Care Adult Care Commisioning & Adult Care Operations					
N/A	Care Teams Accommodation & Equipment	50	50	50	50	50
N/A	Disabled Facilities Grant	8,245	8,245	8,245	8,245	8,245
N/A	Works for ACO&H Provider Services	50	50	50	50	50
	Adult Care Commisioning & Adult Care Operations Total	**8,345**	**8,345**	**8,345**	**8,345**	**8,345**
	Integrated Adult Social Care Total	**8,345**	**8,345**	**8,345**	**8,345**	**8,345**
	Financed by:					
	External Funding - Grants	8,345	8,345	8,345	8,345	8,345
	Total	**8,345**	**8,345**	**8,345**	**8,345**	**8,345**

* 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 2022/23 which may be deferred to 2023/24 or future years.

Children & Young People’s Futures

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Children's Social Care					
N/A	Grant to foster carers	40	40	40	40	0
	Children's Social Care Total	**40**	**40**	**40**	**40**	**0**
	Education & Learning					
N/A	Devolved Formula Capital Grant (DFC)	960	910	860	810	810
N/A	External contribution to school projects	220	100	100	100	100
N/A	External Grants to school projects	100	100	100	100	100
N/A	School budget share contribution to school projects	500	500	500	500	500
N/A	Vehicle Equipment Loans Pool (VELP)	100	100	100	100	0
	Education & Learning Total	**1,880**	**1,710**	**1,660**	**1,610**	**1,510**
	Children & Young People's Futures Total	**1,920**	**1,750**	**1,700**	**1,650**	**1,510**
	Financed by:					
	Borrowing - VELP	100	100	100	100	0
	Capital Receipts - General	40	40	40	40	0
	Direct Revenue Funds - Services	500	500	500	500	500
	External Funding - Contributions	100	100	100	100	100
	External Funding - Grants	1,060	1,010	960	910	910
	External Funding - S106	120	0	0	0	0
	Total	**1,920**	**1,750**	**1,700**	**1,650**	**1,510**

* 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 2022/23 which may be deferred to 2023/24 or future years.

Climate Change, Enviroment & Transport

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Schools Maintenance and Improvements					
	Committed Works					
N/A	DDA projects (contingency)	200	0	0	0	0
1766	Heathcoat Primary - Main block Re-Roof	670	0	0	0	0
N/A	MUMIS (contingency)	180	0	0	0	0
	Planned Works					
61	Appledore Community Primary - Blk 03 Ramped Access and Steps	61	0	0	0	0
78	Bishopsteignton School - Replace boiler plant & gas safety systems	78	0	0	0	0
108	Bovey Tracey Primary School - Block 01 renew flat roof	108	0	0	0	0
47	Broadhembury C of E Primary - Blk 01 renew rainwater goods & windows. Boundary Wall Work	47	0	0	0	0
91	Buckland Brewer Community Primary - Blk 01 external refurbishment	91	0	0	0	0
69	Caen Community Primary - Blk 01&07 ext refurb. Blk 07 boiler. Blk 09 heat controls	69	0	0	0	0
60	Cornwood C of E Primary - Blk 03 Ext refurb. Blk 02 Renew handrails. Blk 01 windows. Doors	60	0	0	0	0
129	Countess Wear Community School - Fire Compartmentation Work	129	0	0	0	0
72	Cullompton Community College - Fire Compartmentation Work	72	0	0	0	0
88	Denbury Primary - Block 01 Renew Flat Roof membranes & Flashing	88	0	0	0	0
47	East Anstey Primary - Replace fence. Partial rebuild & refurb of boundary wall	47	0	0	0	0
351	East Anstey Primary - Upgrade or Replacement of Block 02	351	0	0	0	0
N/A	Estimate Capital Maintenance - SCA Grant	0	3,000	2,500	2,000	1,500
62	Great Torrington Bluecoat C of E Primary - Security Fencing Improvements	62	0	0	0	0
97	Hazeldown School - Fire Compartmentation Work	97	0	0	0	0
203	Highweek Community Primary & Nursery - Block 01 external refurbishment	203	0	0	0	0
109	Ilfracombe C of E Junior - Blks 01 & 02 Ceilings & lighting. Blk 01 external refurb	109	0	0	0	0
184	Ilfracombe Infant & Nursery - Block 01 fire escape doors & windows. Clock Tower Refurb	184	0	0	0	0
37	Ilfracombe Infant & Nursery - Fire Compartmentation Work	37	0	0	0	0
381	Kilmington Primary - Upgrade or Replacement of Block 02	381	0	0	0	0
59	Kingsbridge Community Primary - Block 01 external refurbishment	59	0	0	0	0
99	Ladysmith Infant & Nursery - Fire Compartmentation Work	99	0	0	0	0
159	Littleham C of E Primary - Blk 01 Replace suspended ceiling & Replace lighting with LED	159	0	0	0	0
26	Mary Tavy & Brentor Community Primary - Replace Kitchen Ventilation Hood	26	0	0	0	0
122	Modbury Primary - Block 01 replace boiler plant	122	0	0	0	0
26	Shirwell Community Primary - Block 01 renew doors & replace windows in Admin office	26	0	0	0	0

Total Approval (includes prior years)	Project	2023/24	2024/25	2025/26	2026/27	2027/28
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
65	Southmead School - Blk 01 improve ventilation in toilets. Replace kitchen ventilation hood	65	0	0	0	0
99	Stoke Canon C of E Primary - Blk 01 replace radiator, pipework & boilers. CO Detection & Gas Shut off	99	0	0	0	0
41	Two Moors Primary - Block 03 Flooring	41	0	0	0	0
367	West Croft School - Block 01 Roof Work	367	0	0	0	0
82	Winkleigh Primary - Renew drive tarmac, kitchen cupboards & classroom cupboards/sinks	82	0	0	0	0
	Schools Maintenance and Improvements Total	**4,469**	**3,000**	**2,500**	**2,000**	**1,500**
	Waste					
5,838	Tavistock Household Waste Recycling Centre	0	417	4,471	950	0
N/A	Waste Recycling Centre - Capital works	165	165	165	165	0
	Waste Total	**165**	**582**	**4,636**	**1,115**	**0**
	Highways					
N/A	Local Transport Capital Funding Highways Maintenance and Pothole Fund	52,823	52,823	52,823	52,823	52,823
8,673	Street Lighting LED	1,663	0	0	0	0
3071	Stover Discovery Centre	2,606	57	0	0	0
4237	Telensa Streetlighting CMS	2,180	2,057	0	0	0
	Highways Total	**59,272**	**54,937**	**52,823**	**52,823**	**52,823**
	Highways, Infrastructure Development and Waste Total	**63,906**	**58,519**	**59,959**	**55,938**	**54,323**
	Planning, Transportation and Enviroment					
	Large and Major Highway Schemes					
67,629	A361 North Devon Link Road	27,095	3,602	460	0	0
N/A	A382 Major Road Network	394	0	0	0	0
10,700	Bus Service Improvement Plan (BSIP)	2,970	4,065	0	0	0
1,000	Cedars Junction, Barnstaple	970	0	0	0	0
828	Cullompton High Street Heritage Action Zone - Higher Bullring Public Realm Enhancement	0	680	0	0	0
6,200	Dawlish Link - Elm Grove to A379 Exeter Road	5,564	0	0	0	0
N/A	Exeter to Cranbrook Cycle Route	50	0	0	0	0
N/A	Fleet Vehicle purchases	870	0	0	0	0
N/A	Local Transport Capital Funding Integrated Transport Block	3,628	3,628	3,628	3,628	3,628
1,104	Newton Abbot Future High Streets Fund	699	0	0	0	0
N/A	Pinhoe Access Strategy Measures	304	0	0	0	0
11,570	Plymouth & South Devon Freeport - Spine Road Extension	4,790	5,160	1,620	0	0
8,049	Plymouth & South Devon Freeport - Cycle & Pedestrian Bridge	1,101	6,237	711	0	0
5,000	Plymouth & South Devon Freeport - Road Link to Sandy Road	0	0	0	5,000	0
N/A	Slapton Line Minor Road Improvements	100	95	0	0	0
117,999	South Devon Link Road	448	752	0	0	0
55,140	South West Exeter Housing Infrastructure Fund	27,225	10,248	0	0	0
260	Tithebarn signalisation scheme	250	0	0	0	0
5,700	Tiverton Eastern Urban Extension Phase 1	5	0	0	0	0
N/A	Warwick Road Exeter pedestrian/cycle link	21	0	0	0	0
N/A	Winter Maintenance Vehicle Purchases	556	0	0	0	0
	Large and Major Highway Schemes Total	**77,040**	**34,467**	**6,419**	**8,628**	**3,628**

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Enviroment					
3,000	Carbon Reduction Programme	398	0	0	0	0
5,294	Flood & Coastal Innovation & Resilience Programme Phase 2	1,591	1,222	854	406	0
N/A	Flood Prevention Works	349	340	230	260	0
	Enviroment Total	**2,338**	**1,562**	**1,084**	**666**	**0**
	Childrens & Schools Expansion					
N/A	Advanced Design Fees	425	200	0	0	0
2,575	Axminster Primary School, phased expansion to 420	1,250	0	0	0	0
4,032	Braunton Academy - Additional Accomodation	1,274	2,500	0	0	0
N/A	Confirmed Basic Need Allocation	848	4,158	4,000	3,331	0
2,343	Cranbrook Education Campus (Academy) - New build	72	0	0	0	0
1,132	Dawlish College - replace ROSLA block	500	500	0	0	0
4,147	Exeter Creative Free School Contribution	0	4,147	0	0	0
3,173	Exmouth Community College Expansion	439	100	0	0	0
741	Great Torrington School - New teaching block and re-modelling works	241	0	0	0	0
1,655	Ivybridge College -Additional Accomodation	0	1,655	0	0	0
2,426	Monkerton Primary - Contribution	660	0	0	0	0
137	Okehampton College – expansion / site security	100	0	0	0	0
891	Pilton Community College - Additional Accommodation	300	591	0	0	0
1,720	Proposed New Primary School West Barnstaple	0	200	0	0	0
1,960	Roundswell Primary - Contribution	357	0	0	0	0
985	Seaton Primary School - expansion and improvements	640	0	0	0	0
100	Sidmouth Primary - Expansion to PAN 90	0	100	0	0	0
2,500	Sherford Vale Primary School - Expansion	1,500	1,000	0	0	0
17	South Dartmoor Community College - Additional science provision	17	0	0	0	0
1,888	South Molton Community College - phased expansion	300	0	0	0	0
3,055	West Clyst Primary	475	0	0	0	0
	Childrens & Strategic Schools Programme Total	**9,398**	**15,151**	**4,000**	**3,331**	**0**
	SEND Programme					
506	River Dart Academy - Dartington School site development	0	506	0	0	0
11,250	Okehampton Special School	1,663	150	0	0	0
2,236	Marland Day - Additional Accomodation Bideford	700	0	0	0	0
N/A	SEND Places (new build and expansion)	942	2,950	0	0	0
	SEND Programme Total	**3,305**	**3,606**	**0**	**0**	**0**
	Planning, Transportation & Enviroment Total	**92,081**	**54,786**	**11,503**	**12,625**	**3,628**
	Climate Change, Enviroment & Transport Total	**155,987**	**113,305**	**71,462**	**68,563**	**57,951**

Financed by:	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Borrowing - External	0	7,669	2,331	5,000	0
Borrowing - Internal	4,035	3,918	4,471	950	0
Borrowing - Internal Forward Funding	440	68	460	0	
Capital Receipts - General	2,874	3,046	395	425	0
Direct Revenue Funds - Services	30	0	0	0	0
External Funding - Contributions	3,124	737	0	0	0
External Funding - Grants	138,617	93,473	63,805	62,188	57,951
External Funding - S106	6,867	4,394	0	0	0
Total	**155,987**	**113,305**	**71,462**	**68,563**	**57,951**

* 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 2022/23 which may be deferred to 2023/24 or future years.

Corporate Services

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Transformation, Performance & Resources					
N/A	Building Maintenance	675	675	675	675	0
N/A	County Farms Estate Enhancement Programme	750	450	450	450	0
9250	DCC Operating Model ICT Replacement and Renewal	3,800	0	0	0	0
N/A	Property Enabling Budget	113	113	113	113	0
N/A	Replace and Upgrade Corporate Estate	450	450	450	450	0
717	SCOMIS ICT	266	55	0	0	0
	Transformation, Performance & Resources Total	**6,054**	**1,743**	**1,688**	**1,688**	**0**

	Financed by:					
	Borrowing - Internal	2,341	55	0	563	0
	Capital Receipts - General	3,713	1,688	1,688	1,125	0
	Total	**6,054**	**1,743**	**1,688**	**1,688**	**0**

* 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 2022/23 which may be deferred to 2023/24 or future years.

Public Health, Communities & Prosperity

Total Approval (includes prior years) £'000	Project	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
	Economy, Enterprise and Skills					
2,090	North Devon Enterprise Centre - Phase 2	150	0	0	0	0
	Economy, Enterprise and Skills Total	**150**	**0**	**0**	**0**	**0**
	Commissioning Services For Communities					
N/A	Youth service minor capital works	27	27	27	27	0
	Commissioning Services For Communities Total	**27**	**27**	**27**	**27**	**0**
	Public Health, Communities & Prosperity Total	**177**	**27**	**27**	**27**	**0**
	Financed by:					
	Borrowing - Internal	150	0	0	27	0
	Capital Receipts - General	27	27	27	0	0
	Total	**177**	**27**	**27**	**27**	**0**

* 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 2022/23 which may be deferred to 2023/24 or future years.

It should be noted that tables for Finance & Public Value, and Legal & Democratic Services have been omitted as they are zero in value.

Service Budgets

Strategic Leadership Team Commentary

There is no doubt that this year, the Authority like so many other councils has faced a significant challenge to make ends meet.

An increasing need for services coupled with rising inflation and costs has led to significant pressure on the resources we have available to meet the needs of those in greatest need and deliver other vital local priorities.

Like all Councils, we have a legal obligation to set a balanced annual budget and preparing it for 2023/24 has presented us with incredibly difficult decisions.

The urgent action we have taken over the past year to cut our own costs and find savings coupled with the welcome additional funding in the government's provisional financial settlement has certainly helped to mitigate some of this pressure. But many challenges remain.

Our overriding focus for the next twelve months will continue to be to meet the needs of the young, old and most vulnerable across Devon and will work closely with our One Devon partners to support and develop the local health and care system. We will also continue to work closely with all our partners across Team Devon to help support the local economy, improve job prospects and housing opportunities for local people, respond to climate change, champion opportunities for our young people, and address the impacts of the rising cost of living for those hardest hit.

Looking ahead, the next twelve months are not going to be easy. But we are fully committed to doing all we can to get the most from every single pound we spend and to transform how we do things so we can continue to deliver vital local services and improve outcomes for the people of Devon as efficiently and effectively as we can.

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Integrated Adult Social Care

How the 2023/24 Budget has been built up

	2022/23 Adjusted Budget	Changes	2023/24 Outturn Budget
	£'000	£'000	£'000
Integrated Adult Social Care Commissioning	30,484	(2,234)	28,250
Integrated Adult Social Care Operations	281,484	29,568	311,052
Total	**311,968**	**27,334**	**339,302**

Reasons for changes in Revenue Budget	**Change £'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	29,535
Adult Services demographic and demand pressures	23,869
Temporary staff required to support saving plans and Autism removed	(1,101)
Investment in Emergency Duty Service	111
Mental Health AMHPs	62
Cancellation of National Insurance social care levy	(2,573)
Removal of one off NHS Contribution to Adult Social Care	8,000
	57,903
Savings, alternative funding and additional income	
Supporting people with disabilities to live more independently to reduce their dependence over time	(9,425)
Improved market management and development for commissioned services	(5,866)
Targeted use Better Care Fund	(796)
Targeted use Improved Better Care Fund	(9,500)
Commissioning efficiencies	(1,000)
Efficiencies and consolidation of in-house service provision	(820)
Supporting people with mental Health needs to live more independently and to reduce their dependence over time	(725)
Service Transformation	(729)
Commercial and contracting efficiencies	(1,455)
Corporate printing, telephony, and staff arrangements	(253)
	(30,569)
Total	**27,334**

Analysis of Total Expenditure 2023/24

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Integrated Adult Social Care Commissioning	31,525	(2,801)	(474)	0	28,250
Integrated Adult Social Care Operations	405,875	(30,856)	(63,967)	0	311,052
Total	**437,400**	**(33,657)**	**(64,441)**	**0**	**339,302**

Integrated Adult Social Care Operations

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Disability Services				
2,713	Day Opportunities	3,283	(5)	**3,278**	565
19,648	Direct Payments	23,390	(3,478)	**19,912**	264
46,027	Enabling/Other	56,109	(210)	**55,899**	9,872
2,592	Nursing Care	2,910	(469)	**2,441**	(151)
9,417	Personal Care	17,105	(4,935)	**12,170**	2,753
38,783	Residential Care	44,220	(3,302)	**40,918**	2,135
119,180		147,017	(12,399)	**134,618**	15,438
8,621	**Improved Better Care Fund**	9,476	0	**9,476**	855
	In House Services				
4,535	Day Opportunities and Reaching For Independence	4,466	(17)	**4,449**	(86)
4,715	Reablement	5,600	(600)	**5,000**	285
4,362	Residential Care	4,478	0	**4,478**	116
13,612		14,544	(617)	**13,927**	315
	Older People				
603	Day Opportunities	797	(42)	**755**	152
6,281	Direct Payments	10,366	(3,123)	**7,243**	962
4,021	Enabling/Other	4,623	(644)	**3,979**	(42)
23,854	Nursing Care	42,257	(13,192)	**29,065**	5,211
19,710	Personal Care	34,165	(16,123)	**18,042**	(1,668)
54,595	Residential Care	106,987	(45,190)	**61,797**	7,202
109,064		199,195	(78,314)	**120,881**	11,817
30,199	**OP&D Care Management**	34,811	(3,493)	**31,318**	1,119
808	**Workforce Development**	832	0	**832**	24
281,484		**405,875**	**(94,823)**	**311,052**	**29,568**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Demographic and other growth in demand	23,505
Inflation and National Living Wage	27,590
Ending of one off NHS Contribution to Adult Social Care	7,493
New staff required to support savings plans removed	(409)
Investment in Emergency Duty Service	111
Cancellation of National Insurance social care levy	(2,332)
	55,958
Savings, alternative funding and additional income	
Supporting people with disabilities to live more independently to reduce their dependence over	(9,425)
Improved market management and development for commissioned services	(5,866)
Targeted use Improved Better Care Fund	(9,500)
Commissioning efficiencies	(1,000)
Efficiencies and consolidation of in-house service provision	(346)
Corporate printing, telephony, and staff arrangements	(253)
	(26,390)
Total	**29,568**

Service Commentary

Integrated Adult Social Care Operations works with people in a strengths based way to promote their independence from statutory services. It does this in all aspects of its work. This includes offering 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.

When care is required, it is arranged largely from the independent sector, for either short term interventions or long term needs, on a personalised basis.

The service also provides adult social care services directly, these include respite, day care services, two care homes, social care reablement and our reaching for independence services throughout the county that provides services to older people and people with disabilities.

Our strengths based and promoting independence approaches will be more important than ever in delivering this budget, but at a time when individual, neighbourhood and community resilience are being severely tested, it will be a significant challenge to work in this way at the pace to deliver the budget and to make sure more people are supported outside of formal care. The successful delivery of the budget will require a reduction both in the number of people receiving care and the amount of care they are receiving

Our approach will be to transform and improve our offer through a greater focus on supporting resilience and maximising peoples' independence from formal care, greater access to voluntary and community services and an increased focus on supporting people into employment

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. Included in the Operations budget is £39.6 million from the Better Care Fund (BCF), subject to joint agreement with NHS partners, which contributes directly to the provision of social care services and a further £4.9 million which contributes to joint health and social care arrangements. The BCF is required to be used to help meet health and social care outcomes, although a subset (the Improved BCF) can be used solely for the purposes of meeting adult social care needs.

Delivery of £26.4 million of savings will be a significant challenge to the service that may impact further on already challenging assessment waiting times, our ability to ensure a sufficient care market, and the level to which we are able to contribute to partnership working. We may also find it more difficult to promote prevention and early support approaches.

Service Statistics and Other Information

		Number of service agreements budgeted to be serviced Average through Year		
		2022/23	**Change**	**2023/24**
Reablement (across all client groups)	Service 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 Agreements	314	7	321
Direct Payments	Service Agreements	1,472	(6)	1,466
Enabling	Service Agreements	1,845	(15)	1,830
Nursing Care (including Respite)	Service Agreements	50	(2)	48
Personal Care	Service Agreements	950	(10)	940
Residential Care (including Respite)	Service Agreements	575	(52)	523
Older People and Disability - In house				
Day Opportunities	Service Agreements	104	(40)	64
Residential Care (including Respite)	Service Agreements	47	(3)	44
Reaching for Independence	Service Agreements	940	0	940
Older People				
Day Opportunities	Service Agreements	162	5	167
Direct Payments	Service Agreements	609	23	632
Enabling	Service Agreements	452	12	464
Nursing Care (including Respite)	Service Agreements	696	24	720
Personal Care	Service Agreements	2,188	(8)	2,180
Residential Care (including Respite)	Service Agreements	2,047	72	2,119

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Integrated Adult Social Care Commissioning

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Integrated Adult Social Care Commissioning				
4,943	Centrally Managed Contracts	2,986	(544)	**2,442**	(2,501)
1,019	Change Team	1,075	(20)	**1,055**	36
1,318	Policy, Performance and Involvement Team	1,322	0	**1,322**	4
4,242	Strategic Commissioning Team	3,811	(464)	**3,347**	(895)
11,522		9,194	(1,028)	**8,166**	(3,356)
	Mental Health				
4,184	Care Management	4,793	(426)	**4,367**	183
576	Day Opportunities	235	(169)	**66**	(510)
802	Direct Payments	937	(51)	**886**	84
6,809	Enabling/Other	8,763	(1,003)	**7,760**	951
113	Nursing Care	85	0	**85**	(28)
291	Personal Care	314	(164)	**150**	(141)
6,187	Residential Care	7,204	(434)	**6,770**	583
18,962		22,331	(2,247)	**20,084**	1,122
30,484		**31,525**	**(3,275)**	**28,250**	**(2,234)**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Demographic and other growth in demand	364
Inflation and National Living Wage	1,945
Cancellation of National Insurance social care levy	(241)
Mental Health AMHPs	62
Ending of one off NHS contribution to Adult Social Care	507
Investment in autism services	(102)
New staff required to support savings plans removed	(590)
	1,945
Savings, alternative funding and additional income	
Supporting people with mental health needs to live more independently and to reduce their dependence over time	(725)
Efficiencies and consolidation of in-house service provision	(474)
Targeted use Better Care Fund	(796)
Commercial and contracting efficiencies	(1,455)
Service Transformation	(729)
	(4,179)
Total	**(2,234)**

Service Commentary

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 Integrated Adult Social Care Commissioning 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 commissioning with the provider market and integrated services.

Commissioners have duties under the Care Act to shape and maintain an efficient and effective market of services for meeting care and support needs in the local area, including working with the provider market to ensure sufficiency of choice, quality and information. This includes addressing workforce challenges through supporting the recruitment and retention of care workers, including actively recruiting people from overseas.

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. 2023 sees the introduction of CQC assurance of Adult Social Care duties that will result in a formal assessment similar to the Ofsted process

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 contracts including service user representation and grants to the voluntary and community sector.

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.

The key challenges for Integrated Adult Social Care Commissioning in the year ahead will be maintaining a sufficient provider market and associated workforce for people of all ages; and the delivery of planned savings in Mental Health. Success will depend on there being strong, resilient and connected neighbourhoods and communities and a vibrant voluntary and community sector across Devon. We will need to continue to work with people in a strengths based approach, building their resilience and promoting their independence in a way that reduces the care they need from statutory services.

Achieving our in year budget will be challenging to deliver as many plans require strategic market development which would usually require more time.

Service Statistics and Other Information

		Number of service agreements budgeted to be serviced Average through Year		
		2022/23	**Change**	**2023/24**
Mental Health Services				
Day Opportunities	Service Agreements	15	(3)	12
Direct Payments	Service Agreements	136	(2)	134
Enabling	Service Agreements	679	(15)	664
Nursing Care (including Respite)	Service Agreements	2	0	2
Personal Care	Service Agreements	27	1	28
Residential Care (including Respite)	Service Agreements	165	1	166

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Children and Young People's Futures

How the 2023/24 Budget has been built up

	2022/23 Adjusted Budget £'000	Changes £'000	2023/24 Outturn Budget £'000
Children Social Care, Health and Wellbeing	129,372	21,243	150,615
Education and Learning - School Funding	0	0	0
Education Learning and Inclusion Services	46,833	11,155	57,988
Total	**176,205**	**32,398**	**208,603**

Reasons for changes in Revenue Budget	**Change £'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	9,523
Demographic and demand pressures	27,326
Transformation and Improvement	5,112
	41,961
Savings, alternative funding and additional income	
Transport review	(2,151)
Route reviews of Home to School transport	(500)
Demand management	(4,563)
Contracts review and alternative funding sources	(2,028)
Corporate printing, telephony and staff arrangements	(321)
	(9,563)
Total	**32,398**

Analysis of Total Expenditure 2023/24

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Children Social Care, Health and Wellbeing	176,484	(11,376)	(1,156)	(13,337)	150,615
Education and Learning - School Funding	725,675	(721,500)	(474)	(3,701)	0
Education Learning and Inclusion Services	67,156	(1,989)	(2,179)	(5,000)	57,988
Total	**969,315**	**(734,865)**	**(3,809)**	**(22,038)**	**208,603**

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 Social Care, Health and Wellbeing					
Atkinson Home	4,793	(704)	(3,401)	(688)	0
Education Learning and Inclusion Services					
Music Services	1,156	(1,095)	(61)	0	0
Outdoor Learning	516	0	(506)	(10)	0
School Library Service	763	0	(387)	(376)	0
Total	**7,228**	**(1,799)**	**(4,355)**	**(1,074)**	**0**
Grand total	**976,543**	**(736,664)**	**(8,164)**	**(23,112)**	**208,603**

Children's Social Care, Health and Wellbeing

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
5,983	**Children Centres**	4,231	(40)	**4,191**	(1,792)
	Corporate Parenting Service				
1,861	Adopt South West	2,099	0	**2,099**	238
805	Adoption Allowances and Fees	885	0	**885**	80
271	Child Arrangement Orders	270	0	**270**	(1)
3,749	Corporate Parenting Teams	4,525	0	**4,525**	776
4,509	Fostering Team	4,934	0	**4,934**	425
3,349	Special Guardianship Orders	5,583	0	**5,583**	2,234
1,115	Supervised Contact Service	1,097	0	**1,097**	(18)
1,229	Support For Children and Young People	1,278	0	**1,278**	49
16,888		20,671	0	**20,671**	3,783
	Disabled Children Services				
8,794	Children In Need Short-Break Services	9,438	(1,083)	**8,355**	(439)
3,738	Social Work Area Teams	5,512	(1,000)	**4,512**	774
2,337	Support For Disabled Children	2,389	(23)	**2,366**	29
14,869		17,339	(2,106)	**15,233**	364
	Early Help				
2,425	Bridges	2,453	0	**2,453**	28
3,291	Early Help Co-Ordination	5,425	(2,966)	**2,459**	(832)
557	REACH	596	(10)	**586**	29
753	Youth Justice Service	1,689	(917)	**772**	19
7,026		10,163	(3,893)	**6,270**	(756)
	Looked After Children and Care Leaver (Placements)				
5,257	Disabled Children's Placements	9,169	(580)	**8,589**	3,332
8,001	Independent Fostering	9,202	(12)	**9,190**	1,189
2,101	Independent Post 18 Placements	5,653	(5)	**5,648**	3,547
19,405	Independent Residential Care	24,411	(306)	**24,105**	4,700
6,191	Independent Supported Accommodation	9,833	(421)	**9,412**	3,221
10,325	Internal Fostering	10,617	(8)	**10,609**	284
272	Internal Post 18 Placements	841	(455)	**386**	114
0	Internal Residential	587	0	**587**	587
709	Secure Accommodation	1,005	(20)	**985**	276
258	Unaccompanied Asylum Seeking Children	4,593	(3,045)	**1,548**	1,290
52,519		75,911	(4,852)	**71,059**	18,540
	MASH and EDS Services				
1,203	Emergency Duty Team	1,857	(154)	**1,703**	500
1,062	Multi Agency Safeguarding Hub	1,122	0	**1,122**	60
2,265		2,979	(154)	**2,825**	560
179	**Public Health Nursing**	12,179	(12,179)	**0**	(179)
	Quality Assurance and Practice				
2,042	Quality Assurance Reviewing Safeguarding	2,260	0	**2,260**	218
546	Workforce Academy	1,082	(80)	**1,002**	456
2,588		3,342	(80)	**3,262**	674
21,111	**Social Work Teams**	20,943	(239)	**20,704**	(407)
5,944	**Strategic Management, Legal Disbursement**	8,726	(2,326)	**6,400**	456
129,372		**176,484**	**(25,869)**	**150,615**	**21,243**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	6,502
Children in Care placements and support - increased cost pressures	22,640
Support for Children in Need	700
Legal and Liberty Safeguarding Protection - increased cost pressures	528
Leadership, management and frontline capacity	4,676
Removal of one-off funding 2022/23	(7,653)
	27,393
Savings, alternative funding and additional income	
Children in Care placements	(1,740)
Children's Centres - external grant contribution and contract review	(2,028)
Expand access for families to a broader range of support services	(1,225)
Improve workforce stability - reduce agency staff costs	(1,013)
Corporate printing, telephony and staff arrangements	(144)
	(6,150)
Total	**21,243**

Service Commentary

Children's Social Care

This service brings together the statutory duties of the Authority 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 Public Health Nursing Service provides health visiting and school nursing services across Devon delivering universal child and family health services as well as ongoing additional services for vulnerable children and families.

The budget for 2023/24 includes investment in reshaping to improve both the quality and sustainability of our services. The recruitment and retention of experienced staff is the cornerstone of our improvement work and investment in staffing remains a priority in this budget.

Provision of appropriate accommodation and support for our vulnerable children is a key priority. The care and support that some of our young people require is increasingly more complex and expensive for us to buy. The budget reflects the significant additional investment required to meet need, but successful delivery of a balanced budget is going to require careful demand management and cost control.

Service Statistics

Children's Social Care	Unit of Measurement	Number of people budgeted to receive service Average through Year 2022/23	Change	2023/24
Children in Care and Care Experienced Young People				
External Residential	Full Year Equivalents	100	9	109
Internal Fostering Placements	Full Year Equivalents	415	(29)	386
External Fostering Placements	Full Year Equivalents	160	3	163
External Supported Lodgings/Housing	Full Year Equivalents	47	6	53
Internal Residential Special School	Full Year Equivalents	7	(3)	4
Medical Establishment	Full Year Equivalents	1	2	3
Placed For Adoption	Full Year Equivalents	26	(3)	23
Placed with Parents	Full Year Equivalents	27	34	61
Other Placements	Full Year Equivalents	9	(8)	1
Secure Welfare	Full Year Equivalents	2	(1)	1
Unaccompanied Asylum Seeking Children	Full Year Equivalents	11	65	76
Unaccompanied Asylum Seeking Children over 18	Full Year Equivalents	22	5	27
Staying Put/Care Experienced	Full Year Equivalents	66	29	95
Total		**893**	**109**	**1002**

Other Children's Services	Unit of Measurement	2022/23	Change	2023/24
Adoption Allowances	Full Year Equivalents	78	11	89
Special Guardianship Order Allowances	Full Year Equivalents	515	15	530
Residence/Child Arrangement Order Allowances	Full Year Equivalents	34	(6)	28

Education Learning and Inclusion Services

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
0	**Education and Learning Reserves**	574	(574)	**0**	0
	Infrastructure				
1,364	Admissions, Data and Strategic Management	2,051	(964)	**1,087**	(277)
87	Legal Disbursements	87	0	**87**	0
0	Support Team Services	1,245	(1,245)	**0**	0
1,267	Teachers Pension - Historic Enhancements	1,292	0	**1,292**	25
2,718		4,675	(2,209)	**2,466**	(252)
	School Improvement Inclusion and Safeguard				
787	Inclusion Service	1,454	(656)	**798**	11
965	Safeguarding and Attendance	1,426	(557)	**869**	(96)
1,144	School Effectiveness	1,939	(777)	**1,162**	18
5,729	SEND Services	8,119	(1,617)	**6,502**	773
8,625		12,938	(3,607)	**9,331**	706
	School Transport				
0	Home to College	144	(144)	**0**	0
14,544	Home to School	18,661	(131)	**18,530**	3,986
19,780	Personalised Transport	26,695	(85)	**26,610**	6,830
34,324		45,500	(360)	**45,140**	10,816
529	**Vulnerable Groups and Virtual School**	923	(387)	**536**	7
637	**Children's Centres and Early Years Services**	2,546	(2,031)	**515**	(122)
46,833		**67,156**	**(9,168)**	**57,988**	**11,155**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	3,021
SEND Review	515
Early Years external grant contribution	(79)
Growth and demand in School Transport	11,111
	14,568
Savings, alternative funding and additional income	
Network efficencies within Home to School transport	(2,451)
Independent Travel Training	(200)
Review of workforce through in housing of Babcock	(700)
Corporate printing, telephony and staffing arrangements	(62)
	(3,413)
Total	**11,155**

Service Commentary

This service budget represents the Authority'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. This now incorporates the services that had previously been provided from the joint venture.

The Transport Coordination Service manages school transport alongside public, health and social care transport. This coordinated approach is nationally 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 the long term COVID-19 impact, fuel crisis and cost of living, 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	2022/23	Change	2023/24
School/College Transport	Pupil Numbers p.a.	12,648	152	12,800
Personalised Transport	Pupil Numbers p.a.	2,207	172	2,379

Education and Learning - School Funding

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Schools				
22,728	Academy Grants	23,486	0	**23,486**	758
279,138	Primary Schools	291,817	0	**291,817**	12,679
2,244	Pupil Growth	2,240	0	**2,240**	(4)
222,712	Secondary Schools	238,478	0	**238,478**	15,766
526,822		556,021	0	**556,021**	29,199
	De-Delegated Schools Budget				
108	Facilitation and Representation	105	0	**105**	(3)
779	Licences and Subscriptions	674	0	**674**	(105)
1,075	Maternity	1,038	0	**1,038**	(37)
61	School Intervention Fund	14	0	**14**	(47)
559	Schools and DSG Contingency	617	0	**617**	58
906	Targeted Specialist Services	1,186	(323)	**863**	(43)
3,488		3,634	(323)	**3,311**	(177)
	Central Provision Within Schools Budget				
490	Admissions	621	(71)	**550**	60
1,652	Other DSG Services	1,784	(132)	**1,652**	0
292	Phase Associations	292	0	**292**	0
855	Support Services	953	(85)	**868**	13
873	Termination of Employment Costs	873	0	**873**	0
4,162		4,523	(288)	**4,235**	73
	High Needs Budget				
6,864	Alternative Provision	8,056	(588)	**7,468**	604
1,576	Children In Care and Inclusion	1,649	0	**1,649**	73
574	Hospital Education Services	574	0	**574**	0
150	Inclusion	150	0	**150**	0
40,020	Maintained and Academy Special Schools	41,854	(311)	**41,543**	1,523
47,553	Other Special School Fees	51,537	(1,757)	**49,780**	2,227
1,733	Recoupment	2,489	(722)	**1,767**	34
236	Safeguarding Every Learner	330	0	**330**	94
2,097	SEND Early Years Services	2,167	0	**2,167**	70
22,832	SEND Mainstream	22,289	0	**22,289**	(543)
6,684	SEND Mainstream - Further Education	7,741	0	**7,741**	1,057
2,527	SEND Specialist Support	2,566	0	**2,566**	39
1,773	SEND Support	2,269	(477)	**1,792**	19
0	SEND100 Projects	351	(351)	**0**	0
134,619		144,022	(4,206)	**139,816**	5,197
41,262	**Early Years Budget**	43,702	(80)	**43,622**	2,360
	Schools Funding				
(634,931)	Dedicated Schools Grant (DSG)	0	(659,731)	**(659,731)**	(24,800)
(14,757)	Other School Grants	0	(31,226)	**(31,226)**	(16,469)
(1,052)	Post 16 Funding	0	(1,052)	**(1,052)**	0
(27,388)	Pupil Premium	0	(28,769)	**(28,769)**	(1,381)
(678,128)		0	(720,778)	**(720,778)**	(42,650)
(32,225)	**Transfer to DSG Deficit Reserve**	(26,227)	0	**(26,227)**	5,998
0		**725,675**	**(725,675)**	**0**	**0**

Analysis of changes:	**£'000**
Additional investment for children with complex needs	5,197
Net changes to mainstream school budgets due to increase in Schools Funding Block and demographic changes	28,337
Net changes to Early years funding due to increase in Early Years funding and demographic changes	2,360
Increase in DSG and other grants arising from National Funding Formula changes and demographic changes	(13,134)
Increase in DSG due to baseline changes to the High Needs block and demographic changes	(11,666)
Net change of Academy Grant funding due to Teachers Pay & Pension Grant now part of DSG	758
Additional Schools funding through the Mainstream Schools Additional Grant	(16,469)
Net movement in Other Grant funding	(1,381)
Reduction to Unfunded High Needs Block deficit (Funding shortfall)	5,998
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 maintained schools is delegated and managed by the individual schools, in the same way as Academies, therefore the staffing data does not include the 7,361 staff working in these schools.

Within the DSG a significant cost pressure continues to relate to SEND 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.

Since 2020 and the start of the 2023 academic year, Devon Special School estate will have been expanded by 430 places including two new Special Schools. There are further plans to create an additional 100 places by the start of September 2025, including a new Free School in South West Devon. A bid has been submitted to the Department for Education for a new 80 place Special Free School in Cranbrook and a number of other expansions are being considered.

Service Statistics

Number of local authority maintained schools and academies	Number of organisation	Number of
Local Authority Maintained Schools		**165**
Federations	29	81
Management Partnerships	13	37
% of schools actively collaborating		72%
Free Schools		**14**
Academies		**192**
Number of schools in multi-academy trusts/collaborations		191
% of academies in multi academy trusts/collaborations		93%
Total all schools and academies		**371**

Number of pupils in academy and LA maintained schools	Unit of Measurement	Census Oct-2021	Change	Census Oct-2022
Nursery Schools (Universal Entitlement 15 hours)	Pupil Numbers PTE	136	(36)	100
Nurseries within Primary Schools (Universal Entitlement 15 hours)	Pupil Numbers PTE	2,175	711	2,886
		2,311	**675**	**2,986**
Primary	Numbers on Roll	30,383	(1,848)	28,535
Secondary	Numbers on Roll	5,390	(741)	4,649
Post 16	Numbers on Roll	327	(178)	149
		36,100	**(2,767)**	**33,333**
Number of pupils in academy schools				
Primary	Numbers on Roll	23,647	1279	24,926
Secondary	Numbers on Roll	30,596	1122	31,718
		54,243	**2,401**	**56,644**
Number of pupils in Free schools				
Primary	Numbers on Roll	1,301	250	1,551
Secondary	Numbers on Roll	504	102	606
		1,805	**352**	**2,157**
Total number of pupils in LA maintained schools, academies and free schools				
Nursery Schools	Pupil Numbers PTE	2,311	675	2,986
Primary	Numbers on Roll	55,331	(319)	55,012
Secondary	Numbers on Roll	36,490	483	36,973
Post 16 (maintained only)	Numbers on Roll	327	(178)	149
		94,459	**661**	**95,120**
Percentage of pupils in academy schools				
Primary	Numbers on Roll	45.1%	3.0%	48.1%
Secondary	Numbers on Roll	85.2%	2.2%	87.4%

Early Years Education Provision		2022/23	Change	2023/24
Early Years Independent Provision (Universal entitlement 15 hours)	Pupil Numbers PTE	7,305	(639)	6,666
Early Years Entitlement Take up	Percentage of eligible children	97.1%	-0.5%	96.6%
3 and 4 Year old additional 15 hours for all sectors	Pupil Numbers PTE	3,944	178	4,122
Disadvantaged two year olds	Pupil Numbers PTE	1,389	(35)	1,354

Young People with Additional Needs		2022/23	Change	2023/24
Pupils with Education Health Care Plans in Mainstream provision (pre 16)	Number of young people	3472	79	3551
Educated Other Than At School	Number of young people	196	18	214
Maintained and Academy Special Schools (pre 16 and post 16)	Number of budgeted Places	1,610	121	1,731
Independent Special Schools (pre 16 and post 16)	Number of budgeted Places	1,152	112	1,264
Further Education	Number of Budgeted Places	797	82	879
Inter-Authority recoupment	Net number of Exported Pupil:	136	31	167
Import / export adjustments for local authorities	Net number of Exported Pupil:	503	63	566
Alternative Provision	Number of Planned Places	289	0	289
Alternative Provision - Other Medical Provision	Number of Budgeted Pupils	92	194	286

Public Health, Communities & Prosperity

How the 2023/24 Budget has been built up

	2022/23 Adjusted Budget	Changes	2023/24 Outturn Budget
	£'000	£'000	£'000
Communities and Citizen Engagement	14,764	982	15,746
Economy, Enterprise and Skills	5,544	105	5,649
Public Health	0	0	0
Total	**20,308**	**1,087**	**21,395**

Reasons for changes in Revenue Budget	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	874
Cancellation of National Insurance social care levy	(69)
Citizen Engagement licence fee and staffing pressures	51
Addressing poverty and community resilience	112
Broadband UK Connecting Devon and Somerset	115
Skypark Development - removal of temporary reserves funding	(600)
Skypark Development - core funding	370
Reinstatement of core Community contracts budgets	462
Reinstatement of one off Economy service savings in 22/23	176
	1,491
Savings, alternative funding and additional income	
Reduction in Locality budgets	(180)
Removal of vacant posts in Economy service	(72)
Reduction in service contracts, overhead and activity budgets	(131)
Corporate printing, telephony and staff arrangements	(21)
	(404)
Total	**1,087**

Analysis of Total Expenditure for 2023/24

	Gross Expenditure	Grant and Contribution Income	External Income	Internal Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Communities and Citizen Engagement	18,209	(55)	(462)	(1,946)	15,746
Economy, Enterprise and Skills	9,482	(80)	(3,081)	(672)	5,649
Public Health	32,252	(32,132)	0	(120)	0
Total	**59,943**	**(32,267)**	**(3,543)**	**(2,738)**	**21,395**

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
Communities and Citizen Engagement					
Active Devon	1,697	(1,516)	(11)	(170)	0
Refugee Resettlement	2,540	(2,501)	0	(39)	0
Economy, Enterprise and Skills					
Building Better Opportunities Focus 5	92	(92)	0	0	0
Developing Entrepreneurship In Schools	2	(2)	0	0	0
Digital Business Utilisation Service	211	(211)	0	0	0
EU - North Devon Enterprise Centre	83	(83)	0	0	0
Future Farming Resilience Scale Up	1,184	(1,184)	0	0	0
Growth Hub	205	0	(182)	(23)	0
Learn Devon	3,330	(3,303)	(27)	0	0
New Futures	140	(140)	0	0	0
SFP - Co-Ordinator Grant	6	(2)	0	(4)	0
Supported Internships	57	(57)	0	0	0
The Digital Skills Service	954	(954)	0	0	0
Total	**10,501**	**(10,045)**	**(220)**	**(236)**	**0**
Grand total	**70,444**	**(42,312)**	**(3,763)**	**(2,974)**	**21,395**

Communities and Citizens Engagement

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
1,112	**Citizens Engagement**	1,546	(297)	**1,249**	137
	Commissioning Services For Communities				
811	Heritage Centre and Devon Records Office	824	(10)	**814**	3
7,049	Library and Information Service	7,607	(307)	**7,300**	251
1,850	Youth Services	2,001	(26)	**1,975**	125
9,710		10,432	(343)	**10,089**	379
	Planning and Insight				
1,400	Community Safety and Violence Prevention	2,200	(800)	**1,400**	0
276	Emergency Planning	393	(105)	**288**	12
125	Research, Intelligence and Performance	165	(34)	**131**	6
1,801		2,758	(939)	**1,819**	18
	Safer and Stronger Communities				
562	Commissioning / Grants	1,136	0	**1,136**	574
1,099	Community	2,037	(884)	**1,153**	54
480	Locality	300	0	**300**	(180)
2,141		3,473	(884)	**2,589**	448
14,764		**18,209**	**(2,463)**	**15,746**	**982**

Analysis of Changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living wage	649
Cancellation of National Insurance social care levy	(32)
Citizen engagement licence fee and staffing pressures	51
Addressing poverty and community resilience	112
Reinstatement of core Community contracts budgets	462
	1,242
Savings, alternative funding and additional income	
Reduction in Locality budgets	(180)
Reduction in service contracts - Heritage Centre and Library resource fund	(71)
Corporate printing, telephony and staff arrangements	(9)
	(260)
Total	**982**

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 coordination of work and partnerships to tackle serious violence and vulnerability; and statutory coordination to prevent extremism and radicalisation;
- Leading the authority's response to food insecurity and wider aspects of poverty;
- Community development and capacity building across the County and its links to the authority'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.

Increasingly this year the team's work has focussed on support around the emerging priorities of resettlement and migration.

Citizens Engagement performs a wide range of essential functions including being responsible for core public information and promoting key strategic initiatives. It provides support to services; engaging on changes, reaching out to hard to reach groups, promoting healthy communities and behaviour change, and recruitment.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2022/23 Estimate	Change	2023/24 Estimate
Libraries				
Static Libraries & Mobile Libraries	No.	54	(1)	53
PCs available with public access	No.	323	0	323
Stock issues	No.	2,400,000	(180,000)	2,220,000
Membership	No.	95,000	17,000	112,000
Library Visits	No.	n/a		1,776,000
Library Events	No.	n/a		8,100
Youth Service				
Organisations supported	No.	90	0	90
Young people attending open sessions per qtr	No.	n/a		5,300
Young people prevented from permanent exclusion	No.	n/a		105
Heritage Service				
Searchroom visits	No.	3,500	(1,100)	2,400
Social Media followers	No.	n/a		3,750

Economy, Enterprise and Skills

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Business Support and Innovation				
321	Business Growth Support	532	(221)	**311**	(10)
1,951	Trading Standards	4,358	(2,308)	**2,050**	99
2,272		4,890	(2,529)	**2,361**	89
	Economic Infrastructure and Development				
1,126	Economic Development	1,533	(231)	**1,302**	176
549	Industrial Estates	476	(167)	**309**	(240)
1,675		2,009	(398)	**1,611**	(64)
	Employment and Skills				
222	Labour Market Development	1,038	(786)	**252**	30
1,375	Post 16 Provision	1,545	(120)	**1,425**	50
1,597		2,583	(906)	**1,677**	80
5,544		**9,482**	**(3,833)**	**5,649**	**105**

Analysis of changes:	**£'000**
Inflation, National Living Wage and other pressures	
Inflation and National Living wage	225
Cancellation of National Insurance social care levy	(37)
Broadband UK Connecting Devon and Somerset	115
Skypark Development - removal of temporary reserves funding	(600)
Skypark Development - core funding	370
Reinstatement of one off Economy service savings in 22/23	176
	249
Savings, alternative funding and additional income	
Removal of vacant posts	(72)
Reduction in service overhead and activity budgets	(60)
Corporate printing, telephony and staff arrangements	(12)
	(144)
Total	**105**

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 assessment duty and analysis to support growth strategies and influencing national and local growth and skills policies.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2022/23 Estimate	Change	2023/24 Estimate
Trading Standards (Shared Service)				
Number of businesses in Service area (ONS data)	No.	79,600	7,200	86,800
Programmed interventions at high priority premises	Percentage	100	0	100
Complaints and service requests	No.	16,800	1,700	18,500
Learn Devon				
Learn Devon - Enrolments	No.	6,000	0	6,000

Public Health

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Public Health				
2,325	Children 5-19 Public Health Programmes	2,413	0	**2,413**	88
859	Community Safety, Violence Prevention and	873	0	**873**	14
59	Health At Work	72	0	**72**	13
247	Health Protection	273	0	**273**	26
8,792	Mandated 0-5 Children's Services	9,023	0	**9,023**	231
80	National Child Measurement Programme	98	0	**98**	18
459	NHS Health Check Programme	272	0	**272**	(187)
738	Obesity	448	(55)	**393**	(345)
708	Other Public Health	656	(66)	**590**	(118)
178	Physical Activity	206	0	**206**	28
317	Public Health Advice to NHS Commissioners	360	0	**360**	43
25	Public Health Development	0	0	**0**	(25)
(30,478)	Public Health Income	0	(30,538)	**(30,538)**	(60)
736	Public Mental Health	477	(60)	**417**	(319)
7,038	Sexual Health	7,139	0	**7,139**	101
1,158	Smoking and Tobacco	1,316	0	**1,316**	158
5,489	Substance Misuse	7,250	(1,533)	**5,717**	228
1,270	Support Services	1,376	0	**1,376**	106
0		**32,252**	**(32,252)**	**0**	**0**

Analysis of changes:	**£'000**
Savings, alternative funding and additional income	
Pay and Contract Inflation	958
Support Service - Inflationary increase to support costs	130
Public Health Nursing Contract Increase	281
Reallocation of SRO discretionary budgets	(350)
Public Mental Health remodelling	(350)
Reduction in demand for primary care services and out of area GUM	(250)
Reduction to the Diabetes Social Impact Bond	(250)
Renegotiation of Obesity Contracts	(121)
Various demand led, contract and allocation changes	(48)
	0
Total	**0**

Service Commentary

Public Health is predominantly funded by a ring fenced grant from the Department of Health and Social Care. The vast majority of the grant is spent on the commissioning of health services for which the local authority has a statutory requirement to provide.

While the direct operational response to COVID-19 has reduced the Public Health team continues to play an active role in supporting the UK Health Security Agency and the NHS on responding to infectious diseases, outbreaks and promoting immunisation uptake.

While there was a drop off in numbers accessing key services, such as sexual health, throughout the pandemic, service levels are starting to return to pre pandemic levels and in some service areas, such as substance misuse, demand levels are rising because of increased alcohol consumption.

The key challenges for 2023/24 for Public Health will be to identify and respond to the health impacts caused as a result of the pandemic and the cost of living crisis. During the pandemic there was a reduction in people coming forward for routine checks which has resulted in an increase in undiagnosed conditions, which will result in poorer health outcomes for individuals. Working with the NHS to identify and support individuals to enable early diagnosis and optimal treatment will be vital this year to help reduce excess mortality.

We are also seeing rising levels of food insecurity and the number of households in fuel poverty are increasing within Devon. The growing impact on health inequalities and the impact on health, and particularly mental health, of vulnerable individuals and families will result in an increased demand for health and care services in Devon. Public Health will work with partners to identify need and support with interventions to ensure they are targeted at those in greatest need to reduce the risk of increasing inequalities.

Service Statistics and Other Information

Service/ Activity	Unit of Measurement	2022/23 Estimate	Change	2023/24 Estimate
Opiate clients in treatment	Individuals	1,243	20	1,263
Non-opiate only clients in treatment	Individuals	199	(40)	159
Alcohol only clients in treatment	Individuals	649	8	657
Alcohol & non-opiate clients in treatment	Individuals	219	(122)	97
Genito-urinary medicine patients treated	Individuals	22,588	15,234	37,822
Contraception services accessed	Individuals	23,929	6,592	30,521

Corporate Services

How the 2023/24 Budget has been built up

	2022/23 Adjusted Budget	Changes	2023/24 Outturn Budget
	£'000	**£'000**	**£'000**
Chief Executive, Legal, Organisational Change, Policy Integration and HR	9,825	1,531	11,356
Digital Transformation and Business Support	19,230	(203)	19,027
Finance and Public Value	13,158	1,307	14,465
Total	**42,213**	**2,635**	**44,848**

Reasons for changes in Revenue Budget	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	4,470
Additional staffing	613
HR growth in demand	336
Increased contract costs	289
Reinstatement of one off savings in 22/23 - one off project income	209
Business Rates - change to rateable value of properties	184
Coroners Services - demand pressures	104
Cancellation of National Insurance social care levy	(450)
Removal of invest to save projects and transitional funding	(662)
	5,093
Savings, alternative funding and additional income	
IT roadmap	(942)
Accommodation review	(350)
Reduction in unfunded pensions	(278)
Increase in staff turnover savings	(265)
Other programme savings	(237)
Inreased income	(206)
Corporate printing, telephony and staff arrangements	(180)
	(2,458)
Total	**2,635**

Analysis of Total Expenditure 2023/24

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Chief Executive, Legal, Organisational Change, Policy Integration and HR	36,915	0	(5,707)	(19,852)	11,356
Digital Transformation and Business Support	36,649	(9,014)	(3,956)	(4,652)	19,027
Finance and Public Value	29,600	0	(9,366)	(5,769)	14,465
Total	**103,164**	**(9,014)**	**(19,029)**	**(30,273)**	**44,848**

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

	Gross Expenditure	Grant and Contribution	External Income	Internal Income	Net Expenditure
Digital Transformation and Business Support					
SCOMIS	5,172	0	(2,646)	(2,526)	0
Finance and Public Value					
Devon Audit Partnership	2,165	0	(2,165)	0	0
Total	**7,337**	**0**	**(4,811)**	**(2,526)**	**0**
Grand total	**110,501**	**(9,014)**	**(23,840)**	**(32,799)**	**44,848**

Chief Executive, Legal, Organisational Change, Policy Integration and HR

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Chief Executive, Legal and Democratic Services				
1,793	Coroners Service	1,958	(20)	**1,938**	145
226	Corporate Management	344	(76)	**268**	42
1,881	Cost of Democracy	2,080	(133)	**1,947**	66
500	Equality, Diversity and Inclusion	525	(125)	**400**	(100)
2,121	Legal Services	3,956	(1,233)	**2,723**	602
140	Local Authority Subscriptions	154	(1)	**153**	13
(1,092)	Registration Service	1,501	(2,511)	**(1,010)**	82
5,569		10,518	(4,099)	**6,419**	850
	Human Resources				
731	Employee Services	21,466	(19,932)	**1,534**	803
103	Management	329	(295)	**34**	(69)
1,322	Operations	2,531	(1,078)	**1,453**	131
1,071	Strategy and Performance	1,251	(150)	**1,101**	30
3,227		25,577	(21,455)	**4,122**	895
678	**Organisational Change**	532	(3)	**529**	(149)
351	**Policy Integration**	288	(2)	**286**	(65)
9,825		**36,915**	**(25,559)**	**11,356**	**1,531**

Analysis of changes:	**£'000**
Inflation, National Living Wage and other pressures	
Inflation and National Living Wage	851
Additional staffing	517
HR growth in demand	336
Coroners Services - demand pressures	104
Transfers within Corporate Services	206
Increase in cost of HRMS contract	148
Cancellation of National Insurance social care levy	(125)
Removal of invest to save projects and one off funding	(162)
	1,875
Savings, alternative funding and additional income	
Other programme savings and increased income	(251)
Increase in staff turnover savings	(50)
Corporate printing, telephony and staff arrangements	(43)
	(344)
Total	**1,531**

Service Commentary

The Chief Executive, Legal, Organisational Change, Policy Integration and HR budget page is an amalgamation of distinct services provided under the Corporate portfolio. Collectively these services provide advice and support to officers and Members alongside some services to the public. More specifically, Chief Executive, Legal and Democratic Services provides for the Registration of Births, Deaths & Marriages, Her Majesty's Coroners Services, Democratic Services and Scrutiny, whilst taking the lead on the Equality, Diversity and Inclusion agenda. 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 the need to respond robustly to the 2021 Race Equality Audit.

The Human Resources Service assists the Authority to recruit, retain and develop staff with the right skills and experience to achieve the strategic purposes of the Authority. 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 and balancing those demands for support from front line services, within the available financial envelope, remains a key pressure.

The Organisational Change Team is focussed on helping increase the overall effectiveness of the Authority to meet its vision and priorities now and into the future. The priority for the team in 2023/2024 will be to continue to work in partnership with leaders to reimagine and redesign our organisation to enable long term financial resilience and transformation in response to unprecedented financial pressures driven by inflation.

The Policy Integration team works across the whole organisation, and with partners, to help the Authority meet its vision of Devon being the best place to grow up, live well and prosper. In 2023/2024 they will continue to support collaboration as part of Team Devon and work with Devon's Members of Parliament to influence Government policy and legislation.

Service Statistics and Other Information

Coroners Service	**Unit of Measurement**	**2022/23 estimates**	**Change**	**2023/24 estimates**
Deaths Reported	No.	1,857	0	1,857
Inquests opened	No.	408	0	408
Body Removals	No.	1,128	61	1,189
Post-mortems	No.	900	0	900
Registration Service				
Certificates Issued	No.	50,000	0	50,000
Ceremonies Performed	No.	4,239	(91)	4,148
Premises licences issued	No.	67	0	67
Human Resources				
DCC Headcount – contracted workforce excl schools	No.	5,363	(218)	5,145
Apprentices employed	No.	120	0	120
Payslips issued	No.	206,000	(8,000)	198,000
Caseload	No.	696	33	729
DBS checks processed	No.	24,500	(500)	24,000
Answered calls and emails to HR Direct	No.	10,000	0	10,000
Answered calls to Payroll	No.	17,600	(600)	17,000
Answered calls to Recruitment	No.	15,000	(2,000)	13,000

Finance and Public Value

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Core Finance Services				
3,441	Accountancy Services	5,321	(1,656)	**3,665**	224
720	Corporate Management and Commissioning	1,699	(992)	**707**	(13)
2,023	Financial Systems, Processes and Compliance	8,150	(5,746)	**2,404**	381
1,643	Strategic Financial Planning	4,569	(2,788)	**1,781**	138
7,827		19,739	(11,182)	**8,557**	730
	Other Finance Services				
126	Bank Charges	126	0	**126**	0
148	External Audit	270	0	**270**	122
4,234	Unfunded Pensions	7,240	(2,856)	**4,384**	150
4,508		7,636	(2,856)	**4,780**	272
823	**Procurement**	2,225	(1,097)	**1,128**	305
13,158		**29,600**	**(15,135)**	**14,465**	**1,307**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	1,325
Reinstatement of one off savings in 22/23 - one off project income	209
Transfer from within Corporate Services	35
Increased contract and sundry costs	237
Cancellation of National Insurance social care levy	(141)
	1,665
Savings, alternative funding and additional income	
Reduction in unfunded pensions	(278)
Increase in staff turnover savings	(50)
Corporate printing, telephony and staff arrangements	(30)
	(358)
Total	**1,307**

Service Commentary

Finance and Public Value provides a range of finance and procurement services. The combining of Finance and Procurement early in 2022 enables a greater focus towards achieving Best Value and closer working in these key service areas. The vision for the service is to be a Partner, an Enabler of Learning and to provide Stewardship.

Services are provided internally across the Authority and to external clients and partners. Devon Audit Partnership is a joint service working in partnership with other Devon authorities and provides a comprehensive assurance service covering Internal Audit, Risk Management and Counter Fraud. Peninsula Pensions is a joint service with Somerset Council to provide pensions administration for employers & scheme members of the Local Government Pension Scheme, Client Financial Services team provide help and support to social care clients, and Court of Protection provide help & support to vulnerable clients in the management of their affairs. Our Investments Team provide treasury management services to the Authority and manage Pension Fund strategy and investments of over £5 billion. Procurement provides strategic procurement support across the Authority including collaborative initiatives such as the Southern Construction Framework and others.

The Authority has an annual turnover of in excess of £1.5 billion and all of the expenditure and income flows through Finance and Public Value in one way or another.

During 2022 a procurement was undertaken to replace our core finance system. Implementation during the year ahead will bring new opportunities to develop innovative new practice to drive greater efficiency and value for the Authority.

Service Statistics and Other Information

		Unit of Measurement	2022/23 estimates	Change	2023/24 estimates
Pensions Administration					
Completed cases (DCC Fund – all members)					
	High Priority	No.	14,500	1,500	16,000
	Medium Priority	No.	21,200	2,100	23,300
	Low Priority	No.	6,800	700	7,500
Debt Management					
Debtors raised		No.	105,000	0	105,000
Debtors raised		£000	270,000	14,000	284,000
Payments					
Invoices paid		No.	403,000	0	403,000
Proportion paid using BACS		Percentage	99.9	0.0	99.9
Procurement					
Invitations to Tender issued		No.	280	0.0	280
Contract awarded		No.	375	0.0	375

Digital Transformation and Business Support

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Business Services				
6,167	Business Services and Support	9,074	(2,445)	**6,629**	462
652	Customer Relations	965	(156)	**809**	157
1,464	Customer Service Centre	1,648	(64)	**1,584**	120
8,283		11,687	(2,665)	**9,022**	739
13,381	**Digital Technology Service**	14,376	(2,340)	**12,036**	(1,345)
	Estates				
1,020	Building Maintenance	1,067	(13)	**1,054**	34
1,244	Corporate Estates	1,510	(296)	**1,214**	(30)
(534)	County Farms Estate	719	(1,253)	**(534)**	0
2,355	Facilities Management	4,813	(2,062)	**2,751**	396
(6,519)	Private Finance Initiatives	2,477	(8,993)	**(6,516)**	3
(2,434)		10,586	(12,617)	**(2,031)**	403
19,230		**36,649**	**(17,622)**	**19,027**	**(203)**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	2,294
Business Rates - change to rateable value of properties	184
Cancellation of National Insurance social care levy	(184)
Transfers within Corporate Services	(241)
Removal of transitional funding	(500)
	1,553
Savings, alternative funding and additional income	
IT roadmap	(942)
Accommodation review	(350)
Increase in staff turnover savings	(165)
Increased income generation	(192)
Corporate printing, telephony and staff arrangements	(107)
	(1,756)
Total	**(203)**

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 Authority in a modern digital way that primarily meets their needs.

The services are critical for the smooth running of the Authority, enabling all of us to work more efficiently; is fundamental to ensuring that the Authority's key resources are prioritised to meet organisational demand so that the Authority'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, 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 Authority. 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 and Property. 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 Authority, whilst ensuring the Authority has a robust and secure foundation on which to operate.

Service Statistics and Other Information

	Unit of Measurement	2022/23 estimates	Change	2023/24 estimates
Property				
Owned or leased operational properties (excl farms)	No.	454	(34)	420
County Farms Estate				
No of Farms	No.	65	0	65
Total acreage	Acres	9,568	(20)	9,548
IT Infrastructure & Support				
Managed Desktops	No.	6,314	153	6,467
Networked Sites	No.	207	(16)	191
User accounts (DCC IT systems)	No.	5,467	(219)	5,248
WiFi points	No.	295	(26)	269
Cyber incidents which bypassed security controls	No.	110	0	110
Cases raised to IT Helpdesk by phone	No.	15,168	0	15,168
Cases raised to IT Helpdesk online	No.	36,880	0	36,880
Data and Intelligence Services supported	No.	12	8	20
Digital Services supported	No.	15	17	32

Climate Change, Environment & Transport

How the 2023/24 Budget has been built up

	2022/23 Adjusted Budget	Changes	2023/24 Outturn Budget
	£'000	£'000	£'000
Highways and Traffic Management	27,559	3,485	31,044
Infrastructure Development and Waste	29,978	78	30,056
Planning, Transportation and Environment	21,580	(780)	20,800
Total	**79,117**	**2,783**	**81,900**

Reasons for changes in Revenue Budget	**Change £' 000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	7,340
Re-tender of sweepings contract	50
Funding for bus services previously paid under S106	33
Carbon offsetting and implementation of Environment Act	48
Cancellation of National Insurance social care levy	(220)
	7,251
Savings, alternative funding and additional income	
Income generation and staff time recharges	(1,650)
Highways winter maintenance	(400)
Reduction in tonnages for Shared Savings Scheme	(200)
Reduction in tonnages resulting from van permit scheme	(130)
Renegotiate waste contracts	(40)
Public Transport expenditure to be funded from the On Street Parking account	(1,250)
Ongoing trend of reduction in concessionary travel	(722)
Review of funding for Tour of Britain	(75)
Reinstatement of prior year one-off savings	113
Corporate printing, telephony, and staff arrangements	(114)
	(4,468)
Total	**2,783**

Analysis of Total Expenditure for 2023/24

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Highways and Traffic Management	34,518	(127)	(2,448)	(899)	31,044
Infrastructure Development and Waste	35,539	0	(4,681)	(802)	30,056
Planning, Transportation and Environment	24,029	(1,069)	(1,350)	(810)	20,800
Total	**94,086**	**(1,196)**	**(8,479)**	**(2,511)**	**81,900**

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

	Gross Expenditure £'000	Grant and Contribution Income £'000	External Income £'000	Internal Income £'000	Net Expenditure £'000
Highways and Traffic Management					
Highways Permit Scheme	1,477	0	(1,477)	0	0
On Street Parking	8,750	(82)	(8,668)	0	0
Infrastructure Development and Waste					
National Lottery Comm Fund - Food Rescue	56	(56)	0	0	0
Planning, Transportation and Environment					
AONB Blackdown Hills	253	(234)	0	(19)	0
AONB North Devon	218	(200)	0	(18)	0
Devon Maritime Forum	20	(3)	(12)	(5)	0
Exe Estuary Partnership	36	(24)	(2)	(10)	0
NHS Patient Transport Advice Service	3,580	0	(3,549)	(31)	0
Other Countryside Projects	569	(561)	0	(8)	0
Transport Co-Ordination Service	5,271	(3,344)	(1,810)	(117)	0
Total	**20,230**	**(4,504)**	**(15,518)**	**(208)**	**0**
Grand total	**114,316**	**(5,700)**	**(23,997)**	**(2,719)**	**81,900**

Highways and Traffic Management

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Highway Maintenance				
4,618	Cyclic Maintenance	5,383	0	**5,383**	765
3,725	Highway Lighting	4,408	0	**4,408**	683
750	Maintenance of Public Rights of Way	795	(45)	**750**	0
34	Other Highway Services	167	(133)	**34**	0
296	Retaining Walls and Bridges	336	0	**336**	40
3,554	Routine Maintenance	4,144	0	**4,144**	590
5,789	Safety Reaction	6,748	0	**6,748**	959
2,861	Winter and Emergencies	3,006	0	**3,006**	145
21,627		24,987	(178)	**24,809**	3,182
5,932	**Highway Network Management**	9,531	(3,296)	**6,235**	303
27,559		**34,518**	**(3,474)**	**31,044**	**3,485**

Analysis of Changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	4,188
Cancellation of National Insurance social care levy	(89)
	4,099
Savings, alternative funding and additional income	
Re-base winter maintenance budget based on historic expenditure	(300)
Review of winter maintenance fleet	(100)
Advertising on highways assets	(150)
Corporate printing, telephony, and staff arrangements	(64)
	(614)
Total	**3,485**

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 is enabling 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	2022/23 Estimate	Change	2023/24 Estimate
Size of Network	Km	12,979	11	12,990
Bridges	No.	3,337	6	3,343
Structural retaining walls (>1.35m height)	No.	1,789	21	1,810
Structural retaining walls (>1.35m height)	Km	119	(4)	115
Street lights total	No.	80,627	287	80,914
Street lights to have been converted to part night lighting	No.	53,886	112	53,998
Rights of way	Km	5,012	5	5,017
Length of road salted	Km	2,688	0	2,688
Illuminated road markings and signs	No.	11,383	20	11,403
Gullies emptied	No.	149,000	2,000	151,000
Total grass area cut	m^2	7.65 million	0.13 million	7.78 million
Surface dressed	Km	240	(5)	235
Resurfacing / reconstruction	Km	85	(44)	41

Infrastructure Development and Waste Management

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Engineering, Design and Built Environments Team				
196	Compliance Surveys - School Buildings	196	0	**196**	0
(101)	Engineering and Design Group	(105)	(762)	**(867)**	(766)
83	Schools Estates Work	83	0	**83**	0
178		174	(762)	**(588)**	(766)
	Waste Disposal and Recycling				
15,241	Disposal of Statutory Waste	20,723	(4,153)	**16,570**	1,329
1,440	Landfill Tax on Disposal	510	0	**510**	(930)
223	Other Site Related Costs	225	(2)	**223**	0
6,977	Recycling Centres	7,169	(300)	**6,869**	(108)
4,896	Recycling Credits	5,140	0	**5,140**	244
882	Waste Management	1,191	(40)	**1,151**	269
141	Waste Minimisation Activities	407	(226)	**181**	40
29,800		35,365	(4,721)	**30,644**	844
29,978		**35,539**	**(5,483)**	**30,056**	**78**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living Wage	1,819
Re-tender of sweepings contract	50
Cancellation of National Insurance social care levy	(59)
	1,810
Savings, alternative funding and additional income	
Engineering and Design Group income from full cost recovery charge-out rates	(800)
Additional income from Energy from Waste plants	(250)
Additional income from Household Recycling Centres resale shops	(300)
Reduction in tonnages for Shared Savings Scheme	(200)
Reduction in tonnages resulting from van permit scheme	(130)
Renegotiate waste contracts	(40)
Corporate printing, telephony, and staff arrangements	(12)
	(1,732)
Total	**78**

Service Commentary

The purpose of Infrastructure Development is to deliver the Authority'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 Authority.

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 3% of Devon's residual household waste is now disposed of at landfill sites.

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

Service Statistics and Other Information

Service/Activity	Unit of Measurement	2022/23 Estimate	Change	2023/24 Estimate
Municipal waste disposal to landfill	Tonnes	17,000	(12,000)	5,000
Municipal waste recycled (excl. soil & rubble)	Tonnes	206,000	0	206,000
Trade Waste - rechargeable income	Tonnes	8,500	1,500	10,000
Municipal waste sent for energy recovery	Tonnes	157,000	4,000	161,000
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

Planning, Transportation and Environment

2022/23 Adjusted Budget £'000		Gross Expenditure £'000	Gross Income £'000	**2023/24 Outturn Budget £'000**	2023/24 Net Changes £'000
	Environment Service				
862	Environment Policy	997	(179)	**818**	(44)
805	Flood Risk and Surface Water	804	(5)	**799**	(6)
677	Projects and Partnerships	783	(12)	**771**	94
2,344		2,584	(196)	**2,388**	44
	Planning and Transportation				
412	Development Management	1,675	(988)	**687**	275
2,779	Planning and Transportation	2,760	(79)	**2,681**	(98)
3,191		4,435	(1,067)	**3,368**	177
	Public and Community Transport				
1,294	Fleet Services	1,659	(125)	**1,534**	240
7,628	National Concessionary Travel Scheme	7,143	(15)	**7,128**	(500)
5,539	Public Transport Support	5,718	(1,062)	**4,656**	(883)
1,584	Transport Co-Ordination Service	2,490	(764)	**1,726**	142
16,045		17,010	(1,966)	**15,044**	(1,001)
21,580		**24,029**	**(3,229)**	**20,800**	**(780)**

Analysis of changes:	**£'000**
Inflation, National Living Wage, and other pressures	
Inflation and National Living wage	1,333
Funding for bus services previously paid under S106	33
Carbon offsetting and implementation of Environment Act	48
Cancellation of National Insurance social care levy	(72)
	1,342
Savings, alternative funding and additional income	
Public Transport expenditure to be funded from the On Street Parking account	(1,250)
Ongoing trend of reduction in concessionary travel usage	(722)
Review of funding for Tour of Britain	(75)
Recharge staff time spent working on externally funded activities	(150)
Corporate printing, telephony, and staff arrangements	(38)
Reinstatement of prior year one-off savings	113
	(2,122)
Total	**(780)**

Service Commentary

The Planning, Transportation and Environment service includes strategic infrastructure planning and the development of strategic documents such as the Education and Transport Plans, as well as the Waste and Minerals plans. Additionally, services include development of large infrastructure projects, 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 is leading the climate change agenda where we are working with a number of stakeholders as well as progressing our own range of initiatives.

The Transport Coordination 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 an 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	2022/23 Estimate	Change	2023/24 Estimate
Planning, Transportation & Environment				
County Matter applications	No.	45	(20)	25
County Council development applications	No.	35	(5)	30
Sustainable drainage consultations for major development	No.	520	10	530
Land drainage consents	No.	110	20	130
Public Transport				
Local bus services contracts	No.	120	(5)	115
Ring and Ride community transport schemes	No. of schemes	15	0	15
Community buses	No.	5	0	5
Fare car supported taxi schemes	No. of schemes	6	0	6

Fees and Charges

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. No new charges are proposed for 2023/24.

Medium Term Financial Strategy 2023/24 – 2026/27

Introduction

Nationally 2022 has been a year of unprecedented challenge. The Authority has seen the effects of this on the prices we pay, and demand for the services we deliver.

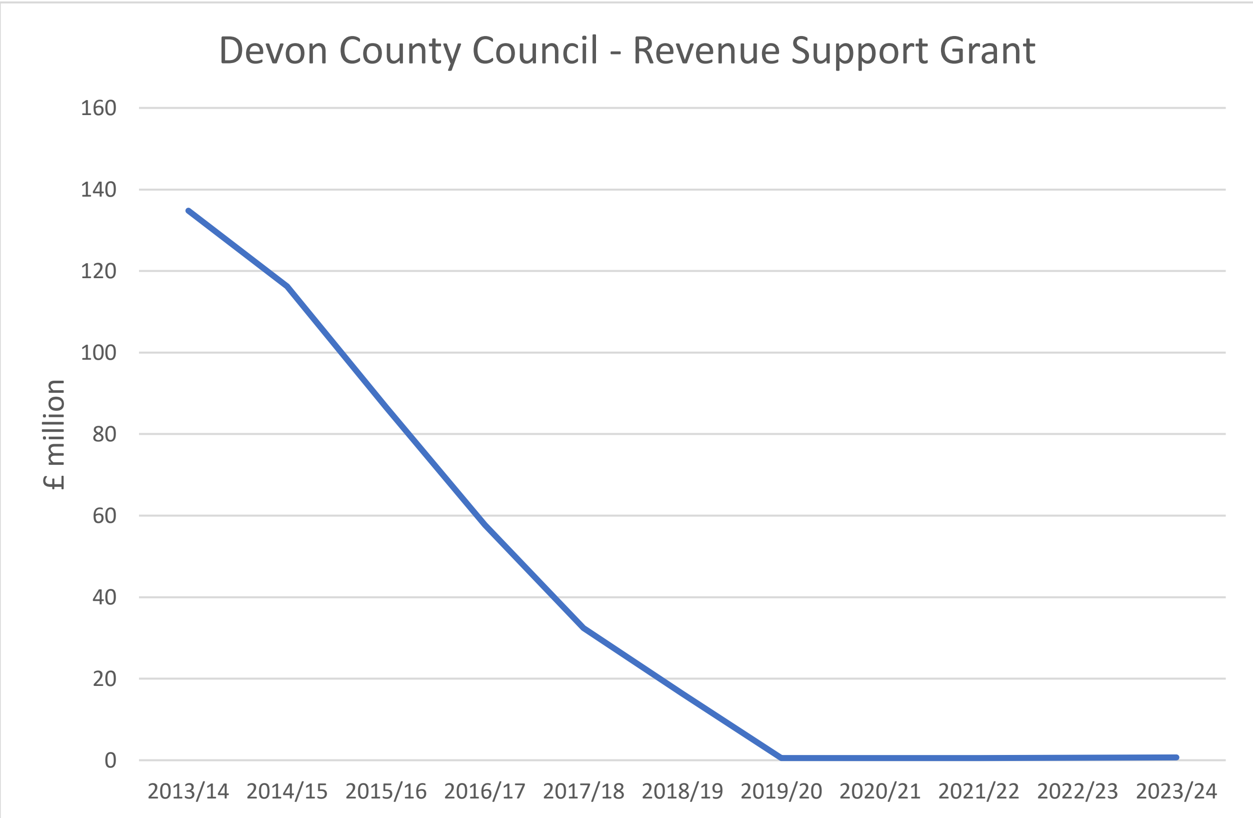
The response of the Authority has been determined and far reaching. The Authority has pulled together to deliver a whole organisation response. The Financial Sustainability Programme saw tactical leaders from across the organisation review all of the Authority's operations in order to address the financial challenges faced now and over the medium term.

Our plan is not simply about short term budgetary control it is about the Authority transforming to achieve the Best Value we can for the people of Devon, to make the best use of the resources we have and ensure we remain financially sustainable.

The Medium Term Financial Strategy recognises the challenges that are still present and seeks to make best use of the opportunities we have to enable Devon to be the 'Best Place' to Grow up, Live well and Prosper.

Government Funding and its impact on the Authority

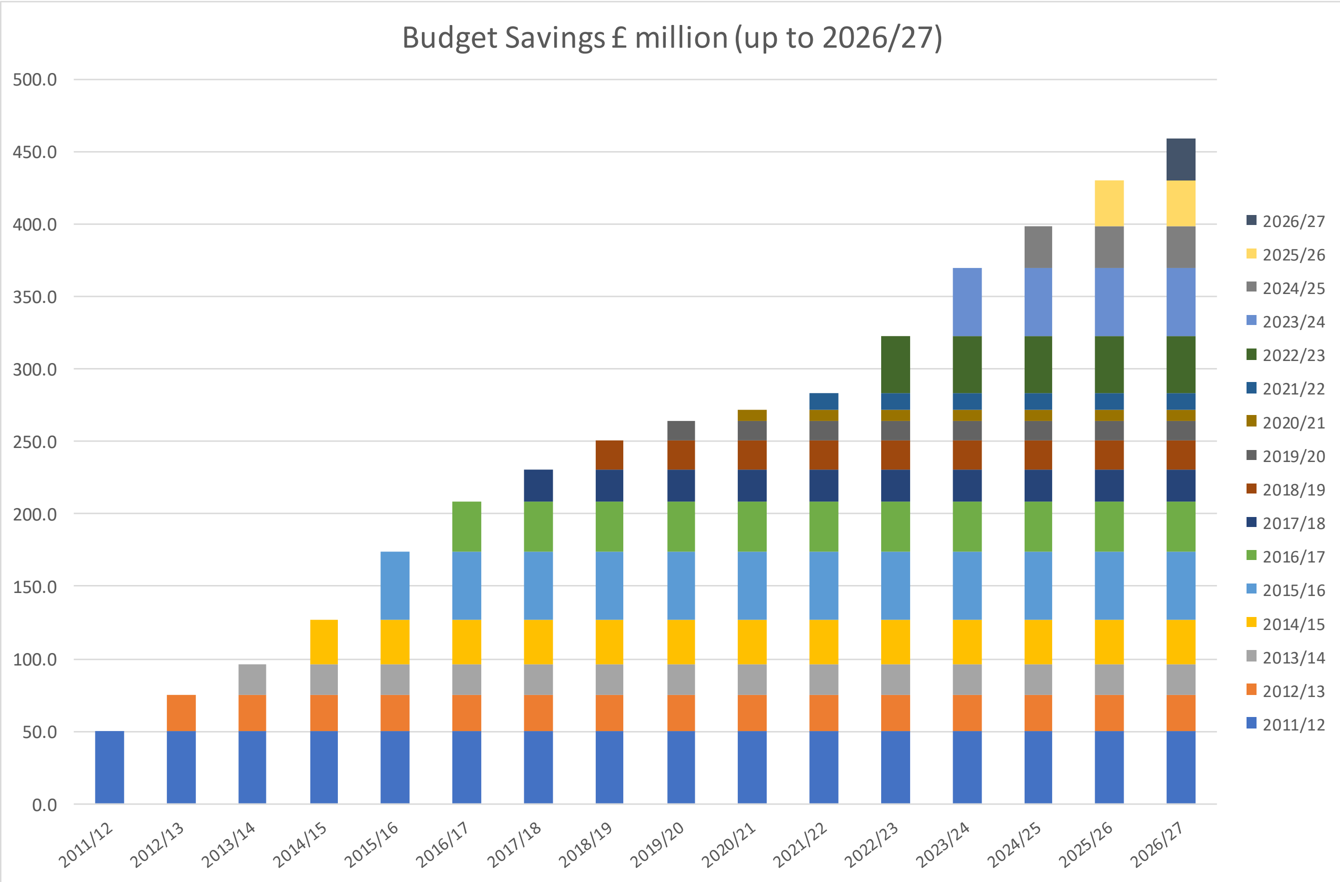
Since the introduction of austerity to public finances from 2010 the financial landscape fundamentally changed for Local Government. The main source of Government Funding used to be Revenue Support Grant, RSG. The graph below shows the decline in RSG over time. At its peak in 2013/14 RSG for the authority 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.



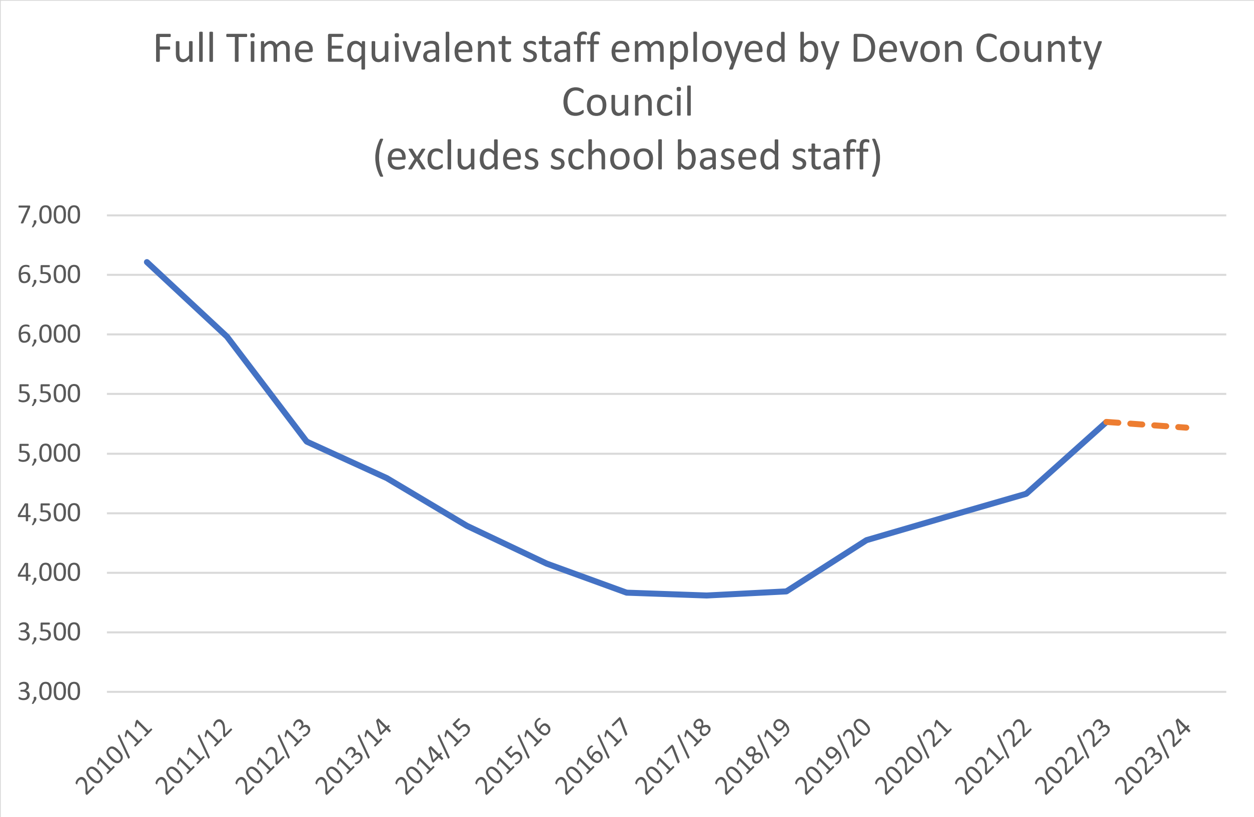
This level of reduction in our funding coupled with demand pressures and price increases has resulted in ongoing savings and income initiatives of just over £371 million being required over 13 years.

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 2026/27. The savings required for 2023/24 of more than £47 million are the highest since 2015/16 and reflect the inflation and pressures on services particularly adults and children's.

The savings required for 2024/25 are projected to be £27.1 million, of which £6.4 million has already been identified in service budgets. In 2025/26 and 2026/27 the required savings are estimated to be £31.7 million and £28.5 million respectively. Key Table 4 on page 12 provides more detail.



The next graph shows in 2010/11 the authority employed over 6,600 Full Time Equivalent (FTE) 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. In 2023/24 there is forecast to be a reduction of 42 to 5,277 full time equivalent staff.



Although the Chancellor announced on 27th October 2021 a three year spending review for government departments for 2022/23 to 2024/25, local government has received its finance settlement on a one year basis only. On 19th December 2022 the 2023/24 provisional finance settlement for individual local authorities was published, followed by the final settlement on 6th February 2023.

Each Authority's Core Spending Power announced in the settlement includes of:

- Settlement Funding Assessment
- Other grants
- The assumption that government has made for Council Tax income, predicated on local authorities enacting the maximum permissible increase without a referendum (for Devon County Council this is 4.99%)

Settlement Funding Assessment (Core Funding)

The Authority's Settlement Funding Assessment 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 local authorities based on a Government assessment of need.

When the Government announces changes to business rates such as freezing the multiplier or extending business reliefs, local authorities are compensated.

Due to the uncertainty around the level of future funding for individual local authorities the MTFS is based on assumptions. The MTFS assumes that the Settlement Funding Assessment (including business rates compensation grant) 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 better reflects the needs of Local Authorities today. The fairer funding review was 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.

The policy statement preceding the Autumn Statement of 17th November 2022 set out the national position on local government finance, which stated that the Review of Relative Needs and Resources (generally referred to as the ‘Fair Funding Review’) and a reset of Business Rates growth will not be implemented in the next two years.

It is therefore to be expected that funding distribution to local authorities will largely remain as it is now, for the remainder of this Parliament. The possible exception to this would be if Government introduce a new funding stream related to the forthcoming Extended Producer Responsibility for packaging (‘pERP’) scheme.

Due to uncertainty and lack of information on what review may take shape in 2 years' time, the Medium Term Financial Strategy has little option but to assume that the current funding system 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 2023/24 it has been set at 3%. In the Local Government Finance Policy Statement published on 12th December 2022, the Department for Levelling Up, Housing and Communities has stated that the referendum limit will remain at 3% for 2024/25. This expectation has been incorporated into the Authority's MTFS.

It is unclear what will happen after 2024/25 when there will be a new Spending Review by the Treasury and the MTFS has assumed that the referendum limit reverts to the previous 2% annual limit.

The other important factor in relation to council tax is the growth in the Council Tax Base. In 2023/24 the Tax Base has increased by just over 1.3% which builds upon the recovery from the previous year when the increase in base in 2022/23 was just under 1.9%. From 2024/25 the MTFS assumes an annual increase of 1% in the base. At current council tax levels a change in council tax base of 1% equates to just over £4.6 million of council tax income.

At the time of drafting this report the Levelling Up and Regeneration Bill is being considered by Parliament. The proposal is that it would allow billing authorities to apply empty homes premium after one year (rather than two) and to a premium to second homes of up to 100%. The Authority has asked all Districts in Devon to provide an estimate of the potential additional income that this would generate. Based on data submitted by billing authorities, additional council tax income from second homes of £16 million has been estimated in the MTFS from 2024/25. If legislation is not passed in time for billing authorities to apply the premium from 1 April 2024 then this much needed income would be at risk.

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.

Inflation

In the nine years July 2012 to July 2021 the rate of annual change in the Consumer Prices Index has been reasonably stable in a range of -0.1 to +3.1 percent. However inflation has risen sharply over the course 2022 to reach a peak of 11.1 per cent annual change in October 2022, the highest level for 41 years. The annual change in CPI is now abating, measuring 10.5 percent in December 2022.

The significant price rises for wholesale energy that were seen during the summer of 2022 are now unwinding. Combined with the effects of a rapid tightening of monetary policy and slowing economic activity, inflation is expected to begin falling sharply from April, reducing to 4-5% by the end of 2023, and then falling further in 2024 towards the Bank of England's target of 2%.

In the medium term inflation is expected to stabilise at 2% or could reduce further to zero by the end of 2025. There is inherent uncertainty in the economic forecast, therefore the MTFS makes the assumption that inflation will stabilise at 2% over the medium term.

Adult Social Care Precept

The Local Government Finance Settlement for 2023/24 has given powers for Local Authorities with adult social care responsibilities to raise Council Tax above the referendum limit by up to 2%. The Local Government Finance Policy Statement published on 12 December 2022, has stated that this limit will continue into 2024/25 and this has been incorporated into the MTFS. The income generated by this is ring fenced specifically for adult social care.

It is unclear what will happen after 2024/25 when there will be a new Spending Review by the Treasury and the MTFS has assumed that the limit reverts to the previous 1% annual limit.

Other Grant Income

Within its core spending power for 2023/24 (announced as part of the settlement) the Authority will receive a number of government grants, which total £109.5 million, as set out in the table on page 6. Most of this grant income relates to social care and partnership working with the NHS.

In his Autumn Statement the Chancellor announced increases in 2024/25 for the national allocations for Social Care Grant, Market Sustainability and Cost of Care Fund and the new Adult Social Care Discharge Fund. Although the Government has not announced what the 2024/25 allocations will be for individual local authorities, the MTFS applies Devon's percentage share in 2023/24 to the national total in 2024/25.

Revenue Support Grant (RSG) and business rates grants (Settlement Funding Assessment) have been assumed to increase with the projected rate of inflation for the period of the MTFS. All other grants are assumed to remain the same in 2024/25.

From 2025/26 there will be a new Government spending review and the MTFS has assumed no increases to grant income, other than inflationary increases for RSG and business rates grants.

Full details are included within Key Table 4.

New Homes Bonus

Government have reduced this grant by 55 per cent in 2023/24, which continues an existing trend as legacy elements come to an end. We expect the grant (which has a value to the Authority of £963,000 for 2023/24) to cease in its entirety in 2024/25.

Services Grant

Services grant has reduced 41 per cent for 2023/24, reflecting the cancellation in National Insurance contributions increase and a move of funding to Supporting Families programme. The MTFS assumes that the Services Grant will continue at the 2023/24 level of £4.2 million for the Authority.

Social Care Grant

The Social Care Grant has grown significantly for 2023/24 primarily due to consolidation of the Independent Living Fund grant into this grant (which is not new funding) and the addition of new funding in respect of adult social care reforms as described previously. Government have indicated that the grant will increase nationally by £612 million in 2024/25 due to further additional funding that was previously allocated to fund reforms. However, it is unclear how the postponed reforms will be funded should government reintroduce the reforms in October 2025 as they have planned.

The MTFS assumes that funding will increase proportionately in 2024/25 and then be maintained going forward. Neither the cost of social care reforms should they be introduced (which would be considerable) nor any potential new funding (beyond what has been announced already) have been included in the MTFS.

Adult Social Care Market Sustainability and Improvement Fund

This new grant has been created in the 2023/24 finance settlement. It includes a consolidation of the existing Market Sustainability and Fair Cost of Care grant but also contains new national funding of £400 million to local authorities that was announced in the Autumn Statement to address hospital discharge and adult social care pressures.

The finance settlement indicates that this grant will grow from £562 million nationally in 2023/24, to £845 million in 2024/25. The funding allocation to individual local authorities is could vary from the 2023/24 methodology, but for financial planning purposes we have assumed that our funding will increase proportionately.

Adult Social Care Discharge Fund

This is another new grant in 2023/24 to distribute new national funding of £300 million to local authorities, aimed at improving hospital discharge flow. A further £300 million of new funding is being routed through the NHS, and both elements must be put into Better Care Funds.

Government have stated that an additional £200 million will be made available to local authorities in 2024/25. Thereafter, our financial planning expects funding to remain at 2024/25 levels.

Liberty Protection Safeguards

Indications are that the delayed reform of Deprivation of Liberty and the transition to the Liberty Protection Safeguards will take place this year. The change will require significant operational activity in an area already under significant capacity challenges.

There is little confidence nationally that central ‘new burdens’ funding will follow to support the transition to Liberty Protection Safeguards. We have therefore made provision in the MTFS to fund necessary activity ourselves, if this is required.

Reserves & Balances

The level of Reserves and Balances that 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 107 to 108. In November 2020, 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. When the Government introduced these regulations, they were to apply for three years up to March 2023. In December 2022, as part of the Provisional Settlement, the Government announced the extension of these regulations for a further three years until March 2026. Further detail is provided later in this section, Dedicated Schools Grant & SEND High Needs Block.

In setting the budget for 2022/23 the Authority had to support the revenue budget by using just over £22.9 million of our reserves set a balanced budget. This was always intended to be transition funding and one off. Reserves can only be used once and they are not a long term solution to funding pressures.

Significant work was undertaken to identify and deliver savings during 2022/23. Many of these savings have been carried forward into 2023/24 and combined with a significant savings programme for 2023/24.

The following table shows the projected Reserves and Balances up to 31 March 2027.

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000	31 March 2027 £000
General Fund					
Working Balance	15,825	15,825	15,825	15,825	15,825
Earmarked Reserves	93,880	77,382	70,580	66,791	65,932
	109,705	**93,207**	**86,405**	**82,616**	**81,757**

During 2022/23 it has not been possible to contain the costs of SEND within the High Needs Block funding being received from Government. The 2023/24 budgeted DSG deficit is projected to be £26 million and with the cumulative deficit of £127 million to March 2023 sees the overall deficit increase to £153 million by March 2024. Although being held in a ringfenced account, this High Needs Block DSG deficit would be in excess of the authority's projected combined working balance and earmarked reserves.

Devon has submitted proposals to the DFE for a Safety Valve intervention to support the Authority to bring High Needs spending back to within available resources. At the time of writing no decision from the government has been notified to the Authority, despite attempts to bring this matter to a conclusion.

The detailed composition of these reserves is within the County Fund Balance and Earmarked Reserves section on pages 114 to 119.

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.

Devon is one of the 24 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 24 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 table that follows sets out the results for Devon and shows the Authority's ranking within the 24 County Councils. Three councils have yet to provide complete data for Earmarked Reserves therefore indicated rankings for the Reserves based measures (1 to 3) are currently out of 21 authorities, all other measures (4 to 9) are out of 24 authorities.

In conclusion, CIPFA’s Financial Resilience Indices indicates that the Authority is not at imminent risk of financial failure. The indices are however based on historical comparative data that is available up to 31 March 2022 and do not consider the use of reserves in 2022/23 to balance the budget. It is expected that Devon's key sustainability resilience indices will deteriorate in 2022/23 with continuing pressure on the level of reserves and the rate of change in reserves.

Devon’s Reserves Sustainability measure whilst ranked 1, indicating that reserves have not reduced in the last three years (a ranking now shared by 21 shire counties), is regarded by CIPFA as moderate risk but unchanged this year. This is because the absolute level of reserves relative to the rate of change has slowed compared to other authorities, i.e., other authorities are increasing their reserves more quickly or consuming them more slowly. Whilst Devon’s level of reserves did increase in 2021/22, this would not be the case if we exclude the impact of carry forward balances, and as noted earlier does not include the use of reserves in 2022/23.

The Social Care Ratio, which is the total spending on adults and children’s social care as a proportion of net revenue expenditure, is assessed at a moderate level of financial stress risk and unchanged in 2021/22, being increasing risk in the previous three years. However, we anticipate these services will present a significant and continuing pressure on the Authority’s financial sustainability into the medium term and strong financial management practices will be required to contain spending pressures on social care, for both children and adults.

The Council Tax Requirement ratio, which is council tax income as a proportion of net revenue expenditure, is a measure which can be more variable in terms of an authorities ranking relative to another due in part to differing approaches to phasing adult social care precept increases. The trend in Devon’s ratio indicates the proportion of net revenue expenditure funded by council tax is increasing and although the level of council tax increases is at the maximum permitted level, Devon’s long term trend towards higher risk continues. A higher proportion of other authorities can fund more of their net revenue expenditure from council tax. The risk implication is ultimately the affordability and sustainability of net revenue expenditure.

The Authority notes the ongoing risks associated with the measures ‘Interest payable as a percentage of net revenue expenditure’ and ‘Gross External Debt’ and its capital financing implications. 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. The Interest Payable and Gross External Debt indicators are regarded by CIPFA as moderate risk and improving, albeit slowly, relative to other authorities.

		Indicators of Financial Stress				
		24 county councils as at 31 March 2022				
	Rank: 1 = lowest risk 24 = highest risk	Rank	Risk direction of travel	Devon	Lowest Risk in Range	Highest Risk in Range
1.	**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	A →	100	100	100
2.	**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.	16	A ↘	40.53%	80.10%	28.51%
3.	**Changes in Reserves**					
	The average percentage change in reserves over the past three years	13	A ↘	57.06%	288.08%	14.93%
4.	**Interest Payable**					
	As a percentage of net revenue expenditure	18	A ↗	4.66%	1.46%	7.02%
5.	**Gross External Debt**					
	Including PFI & PPP contracts	17	A ↗	£612m	£264m	£1345m
6.	**Social Care Ratio**					
	Total spending on adults and children's social care as a proportion of net revenue expenditure	15	A →	81.09%	66.24%	99.02%
7.	**Fees and Charges**					
	The ratio to Service Expenditure – total fees and charges as a proportion of net revenue expenditure	5	G →	9.34%	13.45%	4.53%
8.	**Council tax Requirement**					
	The ratio of Net revenue expenditure – council tax income as a proportion of net revenue expenditure	17	A ↘	78.61%	92.49%	66.84%
9.	**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.	12	G →	3.06	8.39%	1.54%

Direction of Travel Indicators:

G →	Low risk, no change in rank	Moderate risk					
R ↓	High risk	A →	Unchanged this year	A ↘	Increasing risk	A ↗	Decreasing risk

Risk Management

Risk management is a pivotal part of any organisation achieving its goals and objectives. Risk can be defined as the effect of uncertainty whether positive or negative, therefore risks need to be managed in order to be successful.

The Authority's Risk Management Strategy for 2020-2025 demonstrates that the Authority treats risk appropriately, has dedicated resource to manage risk and has the technology and systems to record and document risk, controls and scores. The Authority also sets out the details of scoring and reporting expectations in its Risk Management Policy, as well as digital risk management training available to staff.

The Authority continues to navigate its way out of the challenges arising from the pandemic and the longer term impact some of these have created, including the wider economic impact, continued demand on services and financial pressures. The Authority also continues to recognise Climate Emergency as a real risk and has committed to facilitating the reduction of Devon's carbon emissions to net zero by 2050.

The Authority also recognises the wider geopolitical risks from international unrest, specifically the impacts that places on the residents of Devon and on the authority to provide vital services. Impacts such as supply chain issues, financial and potential fuel shortages and power outages are recognised and managed appropriately.

Financial management and the ability to achieve and set budgets represents an enormous challenge and risk to the authority. Rising costs for services and products, record levels of inflation and increasing interest rates are all recognised and managed to reduce the risk to the authority.

It remains a vital part of the authorities work to ensure its finances are managed correctly and used in an effective way, understanding risk and managing it correctly can help the authority achieve its financial goals.

A specific budget book risk register has been developed and established to support service areas and leaders to manage its finances appropriately.

Risk Management activity is supported by staff from Devon Audit Partnership, who work closely with Risk Champions for each service area, Risk Owners and Accountable Officers and senior leaders and managers. The risk management team organise regular meetings across the authority with Risk Champions, who form the Corporate Risk Management Group, as well as wider local authorities and organisations who form the Regional Risk Management Group. All of which helps to understand risk better, have greater awareness of other risks and look forward to understand which risks may impact the Authority in the future.

Close working relationships across service areas and the Authority help identify risk and ensure that we are able to mitigate and manage their impact to protect the authority and the residents of Devon.

Transforming the way we work

Overview

In setting a balanced and robust budget for 2023/24 we are laying the foundations on which to continue our pandemic recovery and develop into a high performing ambitious Authority that delivers on Best Value for all the people of Devon.

We have a new corporate Senior Leadership Team in place and a new Chief Executive to lead the organisation into the new financial year.

There are many challenges ahead in implementing real transformation whilst managing pressures of rising prices and demand for services, but we are well placed to respond, having successfully developed new ways of working collegiately across the organisation to harness the full range of skills and diversity that we have. This has already been demonstrated throughout 2022/23 in our approach to addressing the financial situation in year, and again in preparing a robust savings programme to enable us to set a balance budget with confidence.

Some of our challenges are our greatest opportunities. Included in the budget for 2023/24 is funding to acquire and implement replacement of the two most important ICT systems for the Authority: the financial system and our adult care management system. By investing in our systems we will be able to gain efficiency by using the latest software and processes. But the opportunities are much greater and far reaching. We will be able to transform our organisational approach to financial management and how we make decisions.

Transforming through People and Relationships – building a Trusted, Inclusive and Innovative Council.

We are committed to developing a People Strategy that focuses on unlocking the potential in individuals, teams and service areas and creates a culture of high performance, effectiveness and delivers Best Value enabling financial sustainability. Building on the strong foundations of our core principles and behaviours we want to inspire a curiosity to learn, a commitment to seek and create clarity and to hold ourselves and others accountable for inclusion through honest and productive conversations.

We know and have learnt that relationships are built at the speed of trust and creating change happens at the speed of our relationships. We are committed to putting people and relationships at the heart of everything we do, for the people of Devon and for the people who work for our public services.

Transforming through leadership

We want to support, develop and grow leadership that:

- understands and sees the whole, lifting the lid on what really happens in order to intervene for greatest impact and value;
- reflects on deeply ingrained assumptions that influence how we act and make decisions to redesign and transform services around outcomes with new and different thinking;

- creates and sustains team collaboration, promotes learning and development for high performance; understands the changing context and continuously tests a shared direction, intent and purpose to balance short term and long term ambitions for organisational resilience and sustainability; and
- actively works to understand and shape culture focusing on people, relationships, and structures.

Our core principles and behaviours:

Long term challenges

The long term challenges facing Devon include:

Climate change poses a serious threat to quality of life now and for future generations. It will damage biodiversity, disrupt food production, damage infrastructure, threaten jobs, and harm human health. Disadvantaged and less affluent groups are likely to be most negatively affected by climate change, and the effects of climate change may make disadvantage worse. As a community leader, the Authority has an important role to help tackle the climate emergency and enable communities to adapt to climate change.

Devon's population is ageing and growing, with proportionately more older people than nationally. More adults have complex health needs and are living with them longer. This requires a good quality health and social care system for a future population that is rising and ageing, and for more people living longer in ill health. Some of Devon's young people grow up in areas that are relatively deprived and where their prospects of achieving greater financial success are limited, so all young people must be supported to have good life opportunities and job prospects.

Financial resilience and prosperity parts of Devon have areas with the lowest average wages in the UK. We need to help level up our economy, support areas of low economic growth and social mobility, to provide a prosperous future for all our communities.

Unfairness and inequality is felt across many features of society including ethnicity, disability and income. We need to continue, in all that we do, to reduce inequalities for vulnerable, disadvantaged or isolated communities, to ensure more people can reach their own potential, have equality of opportunity and are free from discrimination and harassment.

Ambitions for the future

In order for the Authority to provide the best possible services within available resources in 2023/24 and beyond, it 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.

Over the next four years the priorities for the ways that the Authority provides services will be to:

- Safeguard support for the young, the old and vulnerable people.
- Develop and improve children's services.
- Modernise social care services for working age adults and promote greater independence.
- Recruit, retain and develop a sustainable and diverse workforce.
- Enable greater financial resilience and improve financial planning.
- Use data and intelligence to help inform what we do and understand its impact on the people of Devon.
- Invest in digital solutions to help us work more effectively and make us more responsive.

Public Health

Public Health is principally funded by a ring fenced grant that comes directly to the Authority from the Department of Health and Social Care The vast majority of the grant is spent on the commissioning of health services for which the local authority has a statutory requirement to provide.

The 2021 Spending Review committed the Government to maintaining the Public Health Grant in real terms over the SR21 period, but the grant settlement 2023/24 is still to be announced.

While the direct operational response to COVID-19 by the Public Health team has reduced the team continues to play an active role in supporting the UK Health Security Agency and the NHS on responding to infectious diseases outbreaks and promoting immunisation uptake.

While there was a drop off in numbers accessing key services such as sexual health services, smoking cessation and NHS Health Checks throughout the pandemic, service levels are starting to return to pre pandemic levels and in some service areas, such as substance misuse, demand levels are rising because of increase alcohol consumption.

Public Health will pursue both its commissioning responsibilities and its influencing remit working closely with the NHS and key partners, with a focus on and commitment to:

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

The key challenges ahead for public health will be to identify and respond to the health impacts caused as a result of the pandemic and the cost of living crisis. During the pandemic there was a reduction in people coming forward for routine checks which has resulted in an increase in undiagnosed conditions which will result in poorer health outcomes for individuals. Working with the NHS to identify and support individuals to enable early diagnosis and optimal treatment will be vital this year to help reduce excess mortality.

We are also seeing rising levels of food insecurity and the number of households in fuel poverty are increasing within Devon. The growing impact on health inequalities and the impact on health and particularly mental health, of vulnerable individuals and families will result in an increase demand for health and care services in Devon. Public health will work with partners to identify need and support with interventions to ensure they are targeted at those in greatest need to reduce the risk of increasing inequalities.

Integrated Adult Social Care

Adult social care is at the heart of neighbourhoods and communities across Devon. It plays a vital role developing and maintaining resilience and strengths, supporting people to live where they want to be, in their own home and community, living their lives as independently as possible doing things that matter to them, this is what people tell us they want.

Whilst we have achieved positive outcomes, we have to acknowledge that these are challenging times for individuals and communities. The backstop is often statutory services who are seeing greater demand, pressure and stress on workforce and services.

Challenges remain, we are seeing increasing demand from working age adults and older people. Medical advances are having positive health outcomes meaning people with disabilities are living longer and need greater support to stay independent.

Greater awareness and understanding of mental health challenges means more people are seeking and getting the support they need.

It is really important that we address these challenges working collaboratively with people and communities. The voluntary sector has a key role to play, working with us to build resilience.

The proposed budget for Integrated Adult Social Care includes an increase of £27.3 million, an 8.8% increase compared to the previous year, to fund current and forecast demand and inflationary pressures (including National Living Wage) on the budget in 2022/23. Budget savings totalling £30.5 million are also required, the implementation of which is likely to present a considerable operational challenge.

Included in the Operations budget is £39.6 million of funding from the Better Care Fund (BCF), subject to joint agreement with NHS partners, which contributes directly to the provision of social care services, and a further £4.9 million which contributes to joint health and social care arrangements. The BCF is required to be used to help meet health and social care outcomes, although a subset (the Improved BCF) can be used solely for the purposes of meeting adult social care needs. The total pooled budget for the BCF is currently planned to be in the region of £114 million for 2023/24.

Although there is a significant bottom line increase to the Integrated Adult Social Care budget, the scale of savings required to balance the budget is of a magnitude which is far greater than has been necessary in previous years. Responding to the financial pressures in 22/23, the legacy of the pandemic, and winter pressures, means in year demands have been more intense which risks severely hampering the preparation of plans for 23/24. Ultimately the successful delivery of the budget will be based on promoting greater independence for all of the people that we work with.

There are four core cost drivers in Adult Social Care:

- Demand - the level of demand can be volatile in a number of areas across adults of all ages. Learning disability services (including autism) have seen significant growth in activity over recent years and continue to be under pressure going forward, particularly when children transition to adulthood. Devon has an above average elderly population when compared nationally, which is forecast to continue increasing and therefore risks additional pressure on services due to natural growth. The 2023/24 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.
- Market Sufficiency - Workforce recruitment and retention (both for social workers and in the independent provider markets) has been a longstanding and growing risk. There is a current shortage of labour generally, and especially care workers. This shortage has also been a contributing factor in driving up unit costs of care packages.
- Cost of care - the unit cost for packages of care and placements is generally continuing to increase and can be volatile. Rising inflation, wage pressures and the rising cost of food, fuel, and power, as well as the continuing costs of infection prevention and control, lead to increased costs. It has meant that we have not been able to buy some services in year, at budgeted costs.

- Acuity and Complexity - 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.

Social Care Reform

On 17th November 2022, the Chancellor the Rt Hon Jeremy Hunt, announced that social care charging reforms would be delayed for two years. These had been originally announced in September 2021, and further details were given in the government’s report “Build Back Better: Our Plan for Health and Social Care” and the white paper “People at the Heart of Care”, published in December 2021.

The reforms were intended to take effect from October 2023 with a lead in period for additional assessments from April 2023. It was intended that they would be funded by an increase in national insurance of 1.25% from April 2022 (subsequently reversed). In announcing the delay, the government stated that the planned funding would still come to social care in the same timescale.

The social care reforms introduce an assurance framework of Care Act duties. This will continue as planned commencing in April 2023.

The Care Quality Commission (CQC) will review, assess, and report on Council regulated adult social care functions under Part One of the Care Act (2014), such as prevention, information and advice, market shaping and support services. Each local authority will be given a judgement in similar way to the Ofsted inspection regime.

The Better Care Fund

Partners across the wider Devon health and care community (ICS Devon) 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 Integrated Care Board (ICB) hold a pooled budget with the 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 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 integrated care boards 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 ICB 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 ICB minimum contribution. In Devon this is currently £25.3 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 four metrics that reduce pressure on adult health and social care services:

- Avoidable Admissions to hospital
- Admissions to residential and care homes
- Effectiveness of reablement
- Hospital discharges to the person's usual place of residence

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 2023/24 have yet to be published, therefore the tables below set out the 2022/23 BCF resourcing and the application of that, which now includes the full hospital discharge programme:

Resourcing	Revenue Carry forward	2022/23 sources	**Revenue Total**	**Capital**	**Overall Total**
Contributions	£'000	£'000	**£'000**	**£'000**	**£'000**
Devon County Council	10,638	43,255	**53,893**	**8,245**	**62,139**
NHS Devon ICB		68,383	**68,383**	**-**	**68,383**
	10,638	**111,638**	**122,276**	**8,245**	**130,521**
Application					
Capital pool	-	-	**-**	**8,245**	**8,245**
Improved BCF pool	9,707	29,127	**38,834**	**-**	**38,834**
Revenue Pools	931	82,511	**83,442**	**-**	**83,442**
	10,638	**111,638**	**122,276**	**8,245**	**130,521**

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

	2020/21	2021/22	2022/23	2023/24	2024/25 & future years
	£'000	£'000	£'000	£'000	£'000
Original Improved Better Care Fund	19,650	19,650	19,650	19,650	19,650
Additional Improved Better Care Fund	8,620	8,620	9,477	9,477	9,477
	28,270	**28,270**	**29,127**	**29,127**	**29,127**

No announcement has yet been made on the level of grant the authority can expect beyond 2023/24; the MTFS assumes the grant ongoing at £29.1 million, but this is far from certain.

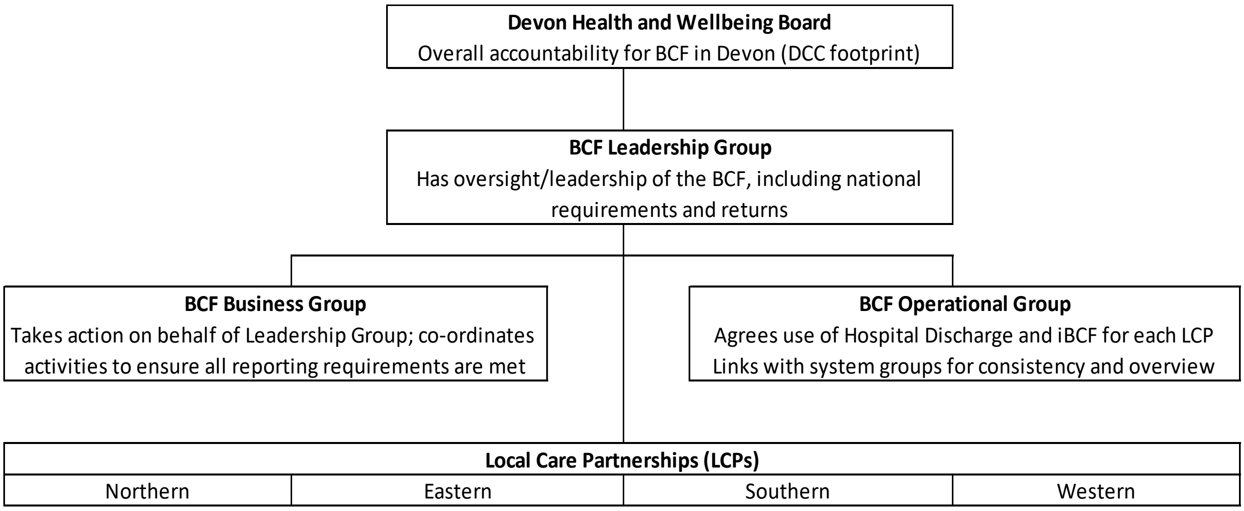
The table below sets out the planned spend of the 2022/23 BCF resource:

Scheme type	**Budget** £'000
Assistive Technologies and Equipment	8,797
Bed Based Intermediate Care Services	8,537
Care Act Implementation Related Duties	142
Carers Services	4,853
DFG Related Schemes	8,245
Enablers for Integration	781
High Impact Change Model for Managing Transfer of Care	24,237
Home Care or Domiciliary Care	16,935
Integrated Care Planning and Navigation	2,336
Other	310
Personalised Budgeting and Commissioning	5,829
Personalised Care at Home	31,875
Prevention / Early Intervention	2,236
Residential Placements	15,408
	130,521

Since the previous BCF plan NHS Devon has become an Integrated Care System (ICS) which is a partnership of health and social care organisations who come together to improve the health, wellbeing, and care of people who live and work in Devon. This change took place on the 1st of July 2022, whereby NHS Devon statutory body took on the commissioning functions that resided with NHS Devon CCG.

One of the key system priorities for 2022/2023 remained urgent care and system flow given the current challenges being experienced within the urgent care system and the impact discharge has on wider system flow. The Devon BCF plan for 2022/2023 responded to this with schemes that support targeted long term investments to build sustainable community services for individuals on discharge across all care pathways with the aim to reduce pressure on urgent care through services that enable people to stay well, safe and independent at home for longer.

BCF governance:



Note: the above governance structure is likely to be reviewed before the start of the 2023/24 financial year.

Children and Young People's Futures

Children's Social Care

Transforming the way that we deliver services to children, young people and families through our organisation wide commitment to being Child Friendly, is key to reducing expenditure and improving outcomes through continuous improvement. This means that we work better through our early help offer and partnership working so that, when our families need us most, they receive the right support from the right person at the right time. Expanding access for families to a broader range of resources will enable them to receive direct support from a much wider network preferably within their community.

We will review our social care practice, listen and act on the voice of the child and the families that we work with and ensure that for children at risk assessments are timely and focussed on delivering the best outcomes for that child.

It is recognised right across the social care sector in England, that there is an acute shortage of social workers and other care staff. This budget sets out our ambition to reduce reliance on agency staff and to build and retain our workforce because we believe that experienced and motivated staff are the cornerstone of our improvement work. Working restoratively will enable us to transform, develop, and improve our children’s services so that wherever possible and where it is appropriate families to stay together safely at home.

Where children come into our care, we are implementing our sufficiency strategy that focuses on finding the right home first time and doing all we can to help children and young people to return safely and swiftly back to their families.

As corporate parents we are focussed on ensuring that all children in Devon’s care are looked after well and are supported to meet their full potential. This includes ensuring that they have access to the services that they need, somewhere safe to stay and support through education, training and employment and their transition to adulthood.

Competition for appropriate accommodation for our most vulnerable children and rising prices makes placements a costly prospect. High inflation rates have been recognised in the budget but the risk of ongoing volatility in the market remains. We are seeing an increased number of children coming into our care experiencing mental health issues requiring a greater level of specialist support. We are working closely with our health partners and with our other partners such as schools, to ensure that we respond to this challenge through strong partnership working so that vulnerable children and adults receive the right help at the right time.

We know that the longer term effects of the pandemic and cost of living crisis continue to place strain on families and the health and social care system. The changes we have made to the way in which we deliver our social cares services, are designed to assist us to be better equipped to meet and manage increasing demand for the services we provide. We are ambitious and with the Authority's commitment to ensuring that children and young people are at the heart of everything we do, we believe we can make Devon the best place to grow up.

Dedicated Schools Grant & SEND High Needs Block

Schools Funding

The 2022 Autumn statement stated that schools nationally will receive £2.3bn of additional funding in both 2023/24 and 2024/25. After adjusting budgets set at the 2021 Spending Review down to account for the removal of the compensation for employer costs of the Health and Social Care Levy, this brings the core schools budget to a total of £58.8 billion in 2024/25, £2.0 billion greater than published in 2021.Devon has seen an increase in 2023/24 of £11.1 million within the Schools Block (after adjusting for the Schools Supplementary Grant) along with a further £17.1 million through the Mainstream Schools Additional Grant (MSAG)

The local authority will continue to determine the final allocation for school funding in 2023/24 through a local formula and continues to move towards the full National Funding Formula rate. The authority, with the support of schools and local Members of Parliament, 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 15 hour entitlement for all 3 and 4 year olds, additional 15 hours for 3 and 4 year old children of eligible working parents and 15 hours basic entitlement for eligible 2 year olds. The funding rates for both entitlements have seen a rise of 26p per hour, whilst funding for 2 year olds has seen an additional 8p 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. The High Needs Block (HNB) is £112.2 million for 2023/24 which includes the additional £4.4 million announced as part of the 2022 autumn statement. However, this is insufficient to meet current demand and costs resulting in a projected deficit in 2023/24 of £26 million.

Safety Valve Intervention Programme

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

Devon submitted a management plan in February 2022 to the DfE as part of the 2nd part of the Safety Valve Intervention Initiative and had continued discussions to progress the decision forward. Since the summer this has been delayed.

The budgeted DSG deficit for 2023/24 is projected to be £26 million and with the cumulative deficit forecast of £127 million to March 2023.

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 Authority 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 SEND HNB within the funding envelope action needs to be taken to improve parents and young peoples lived experience of SEND 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 2023/24 management actions being considered to bring further savings of just over £20 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 Authority 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.

Impact:

If all actions are achieved the High Needs Block will have a balanced budget from 2025/26.

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 2023/24, but future years will need to be reviewed as the actions develop within plan. Funding after 2023/24 has assumed an increase of 4% per annum. The unknown medium and long term aspects of the long term COVID-19 including recruitment, and retention, changing ways of working, cost of living all having an impact on staff and children which could see a delay to various projects and increased demand.

The Devon Economy

Following the significant impact of the COVID-19 Pandemic, the economy was showing some signs of recovery. However various events in 2022, including the energy price rise, high inflation and impacts on spending power, have had significant impacts on our businesses, communities, workforce and overall economy. Our dependence on sectors such as tourism, retail and hospitality has meant the Devon economy has been disproportionately affected by these increases in costs.

Prior to the pandemic, the economy already had its weaknesses such as low productivity, inequalities across our communities, low wages and poor connectivity. These issues have been further exacerbated, with cash flow among many businesses being put under additional strain. Lower income households, of which there are a higher than average number in Devon, have also been impacted disproportionately by housing, energy and inflation costs in excess of likely increases in earnings.

In 2021, our forecasts showed our economy would shrink by around 14% and unemployment rise to 5%. Employment rates returned rapidly, ahead of national recovery although we have seen a reduction in the numbers of self employed individuals and the over 50s have not returned to the labour market in the same way.

As at November 2022, unemployment has begun to rise again slowly from a low of around 1.9%. The economy's recovery is being constrained by labour shortages across many key sectors, with the cost of housing and inflation being key reasons. Our labour market has contracted with high levels of early retirements, inactivity of some skilled staff, rising levels of young people remaining or returning to education and not moving into the workforce and a long lead in time to upskill new workers. The UK's exit from the EU has also continued to reduce the labour pool. Job vacancies remain persistently high, including within the health and care sector, hospitality and professional services, although numbers have slowly begun to drop during the latter part of 2022, possibly prompted by cost of living pressures bringing workers back into the labour market.

The economy has experienced a decline in longer term rental properties and affordable housing over the past 18 months, driven in part by inward migration and retirement from elsewhere in the UK and the attractiveness of rural living and the switch of private rental to short stay holiday accommodation. There is a clear housing crisis facing Devon in terms of availability, affordability and accessibility, and a worsening position, placing a significant constraint on economic growth, as well as creating social, health and wellbeing challenges.

This combination of pressures means households are facing rapidly increasing costs and discretionary spend is significantly reduced. The greatest pressures are being felt across younger families and those with a fixed income. 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 across all roles or keeping pace with costs, so that real income levels are declining.

Devon's economy is dominated by small and micro businesses, and our Chambers of Commerce and Federation of Small Businesses are reporting low levels of business confidence over the next 6 to 12 months, with many indicating less than 3 months cash flow, and no ability to invest in facilities and equipment. Rising cost bases across energy, labour, debt repayment and raw materials are amongst the key cost drivers, increasing levels of competition and reducing consumer spend are all taking a toll on levels of confidence. The pandemic created significant levels of volatility and raised challenges for businesses to plan ahead, and the current cost of living and inflationary pressures are now compounding these issues. For some sectors where there is a clear business cycle, such as the tourism sector, a missed booking period has severe knock on consequences for forward bookings and business planning. In 2022 the Devon branch of the British Chambers of Commerce reported that overall business investment in training for future growth reduced, particularly within the services sector.

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 2024, this will no longer be the case for some sectors and communities. The current labour market shortages and business confidence will impact on this timescale. There is currently significant uncertainty in the global economic and financial situation.

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 Authority and partners have been bringing forward and implementing activities to create the conditions for a more resilient, inclusive and sustainable economy. Supplementing the Authority's own investment has been successful external funding bids, such as the Community Renewal Fund, Skills Bootcamps, One Public Estate and Future Farm Resilience, enabling a range of business, regeneration, innovation and skills programmes being delivered during 2022, implementing key actions identified in the Prospectus.

Securing external funding, generating income and joint working with public and private sector partners is increasingly significant to deliver our identified economic priorities to support a sustainable and inclusive economy. We are focusing on the following key areas in support of our Strategic Plan over the next 12 months:

A clear emphasis on integrating business support and regulatory services, recognising the key role that the Heart of the South West Trading Standards Service plays in supporting economic growth. Our priorities include delivering the Heart of the South West Growth Hub which supports small businesses and encourages new business start ups. We are working in partnership on a number of significant and national programmes, including delivering the Future Farm Resilience Programme and the Devon Food Partnership. The service is facing recruitment challenges, whilst responding to a range of new enforcement and business advice responsibilities, as part of the EU exit, and substantial increases in cases of Avian Influenza. We are prioritising continuing to raise consumer confidence by addressing scams and doorstep crime, along with proactive work on food safety, product safety and age restricted products, designed with a focus on the disadvantaged and those most at risk. We continue to work with key business groups and participate in and share best practice across national business and regulatory forums.

Responding to the challenging labour market conditions and recruitment vacancies is a key priority for the Service. We are supporting young people and adults alike to access work, enter and stay in learning, upskill and move from education to new learning, training and employment opportunities. We are placing particular emphasis on care experienced and vulnerable young people as part of a Child Friendly Devon approach, addressing social mobility and youth inclusion. Working with partners and colleagues there is a strong emphasis to provide additional support to adults seeking employment with a health, mental health or a disability barrier. Learn Devon is delivering the Government's new Multiply numeracy programme; and aligning with FE, HE and wider skills and employment service providers aims to roll out over 6,500 new learning opportunities during 2023/24. We continue to work with Government and local partners on education, employment, learning and skills policy and programmes, often externally funded. Examples include Bootcamps, Local Skills Improvement Plans, Youth and Employment Hubs and digital skills. We are working with universities and the private sector to take forward high growth or transformational sectors, building local technical skills and expertise and continuing to support high value employment sectors such as health and care, tourism and food and drink.

Delivering key capital investments and infrastructure schemes, including work hubs, major employment sites, broadband and energy networks utilising private and public funding. We are working in partnership to unlock land and development opportunities to support housing and employment opportunities, and are participating in the Devon Housing Task Force, One Public Estate programme and are continuing to support and deliver the Plymouth and South Devon Freeport. Natural capital, community energy and green innovation formed significant strands of our recovery programme and we aim to build on these to generate new business opportunities and promote our green and environmental technology sector. We are continuing to monitor the economy and provide briefings and research to support the Authority and partners to target resources where they can have the greatest social, environmental and economic impact, and respond to the cost of living crisis.

Our aim is to make the Devon economy more resilient and adaptable to economic and other shocks, supporting both those transformative sectors which have the ability to drive our future growth, but also working with the broader business community that forms the bedrock of our economy to grow, innovate and thrive in 2023 and beyond.

Digital and Technology Strategy

The 3 year strategy was to run from April 2021 – March 2024 and set out our ambitions to:

- Design services around the needs of the people using them, meeting people’s expectations for first class digital services.
- Enable the Authority to benefit from the latest technology, ensuring people have access to modern, safe, fit for purpose systems allowing staff to focus attention where it is needed most.
- Create opportunities for staff to innovate, while ensuring the balance between being secure, properly supported, and affordable.

Supporting the Authority’s Strategic Objectives to:

- Make best use of data and intelligence to help inform what we do and understand it's impact on the people of Devon
- Transform the way we work to make us more resilient and adaptable, and helps reduce our carbon footprint
- Invest in digital solutions to help us work more effectively and make us more responsive

We remain committed to the principles of the original D&T Service Strategy and outcomes underpinned by:

- User Centred Design, focusing on the needs of the user to ensure the best possible user experience
- A multi disciplinary Digital & Technology Service (operating model changes)
- A cloud first approach, including consuming Software as a Service
- A zero trust approach, securing devices and software, not geographical locations.

- A digitally enabled workforce
- A low code platform, with automation tools to enable services to be built internally where commercially available services do not meet the needs of our users.
- A robust cyber security operations centre
- A modernised Customer Engagement Centre, meeting the needs of the people of Devon.
- Continuing upgrades and replacement of technologies and devices.

However, given the Authority’s financial situation, several projects required to deliver these outcomes are paused.

Whilst investment in ICT is paused, the Digital & Technology Service will focus on:

- Diverting resources to supporting and delivering the priorities identified in the Authority's Financial Sustainability Programme.
- Continuing to support changes required for statutory or regulatory purposes.
- Strengthening and delivering core IT Services to ensure existing services are robust and to reduce the probability of service disruption due to cyber attacks
- Delivering key upgrades to ensure our services and data remain secure, including supporting key business led system procurements and implementations.

Working in Partnership

Increasingly across Devon, responses to key strategic and operational challenges are based on strong local partnerships. Particularly within Local Government, COVID-19 and subsequent work on emergent recovery priorities has helped to cement a ‘Team Devon’ ethos, where colleagues and organisations with common interests continue to work towards shared outcomes. This has involved the development of various groups and meetings spanning the Authority, 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 Councils, 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 coordinated action and response.

Many of the Authority’s partnership arrangements are outlined and required by statute including arrangements around safeguarding, community safety, emergency planning, health and many other areas of the Authority’s responsibility.

Areas of the Authority’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 Authority’s key strategic challenges are better understood and considered through a multiagency, partnership lens and established Boards regularly meet on issues including safeguarding, community safety, climate change and health and wellbeing.

Recent responses around migration and resettlement have also been developed through local partnerships from across communities and voluntary organisations and the wider statutory sector to ensure the needs of those people recently arrived in Devon are met.

Conclusion

Setting a balanced budget for 2023/24 against the backdrop of the current financial challenges, presents a huge opportunity for the Authority to modernise and become more efficient. This MTFS seeks to do just that, by capitalising on the savings plans that have been developed and alternative funding and income identified, to ensure that we are delivering services in the most efficient way.

The level of assurance of budget plans, including savings strategies, has been higher than ever before, involving cross organisational senior officer scrutiny under the direction and oversight of the Financial Sustainability Programme that was launched in the summer of 2022. There will be further development of financial accountability frameworks in 2023/24 to ensure delivery of budget savings.

Expenditure from the Authority's reserves will only be incurred for time limited and non recurrent activity that contributes towards our goal of attaining Best Value, such as investing in replacing key systems, our transformation strategies, and implementing our SEND management plan.

Government has set out the national level of funding available to local government for 2024/25 but not how it will be distributed. At the national level, government have set out more funding to come to the sector, with particular focus on adult social care funding. In the MTFS we have assumed that current distribution mechanisms continue.

The far more significant risk is the unknown status of funding of adult social care charging reforms at the end of the government's deferral period in October 2025. Government has repurposed the funding and allowed councils to use it in 2023/24 to fund some of the large cost and demand pressures in adult social care, but government has not indicated whether further funding will be available for the planned introduction of reforms in October 2025.

This risk will have to be dealt with well in advance of October 2025 in order for councils to prepare to implement the reforms.

The MTFS reflects our achievement in setting a balanced and sustainable 2023/24 budget and reflects our ambition to pursue Best Value in provision of public services for the people of Devon. Containment of budgetary pressures and delivery of transformational change to yield savings will not be without challenges in 2023/24, but successful implementation will put the Authority on a financially sustainable path through the medium term, so that we can continue to invest in the efficiency of how we use resources and the quality of the services that we provide.

County Fund Balance and Earmarked Reserves 2023/24

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, 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 were originally in force for three years; in January 2023, Parliament extended these regulations for a further three years until March 2026.

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 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000	31 March 2027 £000
General Fund					
Working Balance	15,825	15,825	15,825	15,825	15,825
Earmarked Reserves	93,880	77,382	70,580	66,791	65,932
	109,705	**93,207**	**86,405**	**82,616**	**81,757**

During 2022/23 it has not been possible to contain the costs of SEND within the High Needs Block funding received from Government. The 2022/23 budgeted DSG deficit is projected to be just over £40 million and with the cumulative deficit of £127 million to March 2023. The in year SEND deficit for 2023/24 is budgeted to be £26 million taking the cumulative SEND deficit to a projected £153 million by March 2024.

The Authority has submitted proposals to the DfE as part of the Safety Valve scheme but despite many meetings the Government has not yet approved the proposals, or the funding required to fund the cumulative deficit.

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.

The Working Balance (County Fund) remained at £14.8 million for a number of years, and in 2022/23, the Working Balance (County Fund) increased by £1 million to £15.8 million to provide additional headroom. This increase was achieved by a transfer from the Budget Management Reserve.

The major risks affecting the Authority have been outlined on pages 151 to 175.

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 £47.5 million within service budgets to deliver the 2023/24 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.

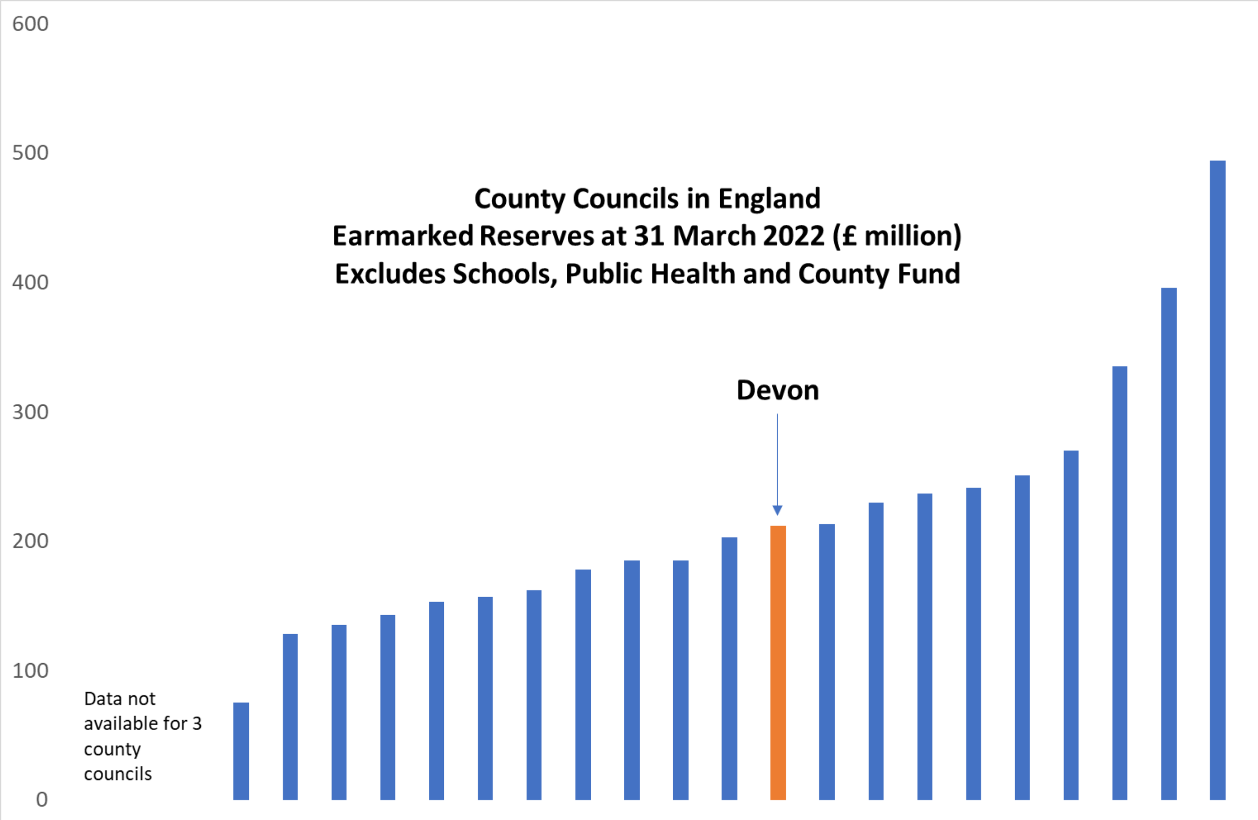
There is a risk that collection rates for both council tax and business rates may fall short of the targets set. These budgets are notified by the billing authorities at the start of the year. However, because these potential shortfalls are managed through collection funds and are included as part of 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 119 provides a description of each earmarked reserve and its projected balance at the end of each financial year until March 2027.

At 31 March 2022 the level of earmarked reserves held by the Authority was around average compared with other County Councils but the expected use of reserves of more than £41 million in 2022/23 is likely to significantly weaken the Authority's position relative to other county councils. The Authority's actual position relative to other councils at 31 March 2023 will be known towards the end of 2023, along with CIPFA's Financial Resilience Risk Rating.

The following chart shows the earmarked reserves (including budget carry forwards) for the twenty one county councils in England. Three county councils have been excluded because the data is not available from the published tables by DLUHC.



In 2023/24 £4.8 million of Special Purpose Reserves and £11.7 million of Contingency and Service Development and Transformation Reserves are forecast to be used.

Special Purpose Reserves

On street parking

The on street parking reserve is ringfenced to fund transportation improvements and initiatives. The 2023/24 budget plans to use £628,000 leaving the forecast balance at 31 March 2024 of £455,000.

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 £12.1 million at 31 March 2023. The 2023/24 budget anticipates use of £4.2 million of the Public Health reserve and £2.5 million in 2024/25.

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. The balance is estimated to be just under £36 million at 31 March 2023.

In 2023/24, the Authority plans to use £4.9 million of this reserve:

- £4.3 million for SEND Improvement;
- £500,000 for Highways Ash Die Back; and

- £120,000 for Pay and Allowances Transformation.

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).

At 31 March 2022 there was a balance of just over £17.2 million in the Business Rates Risk Management Reserve to cover

- potential future losses from the Devon Business Rates Pool; and
- funding uncertainties arising from the national reset of Business Rates, originally expected in April 2020 but now indefinitely deferred.

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 2022, £4 million of this reserve was used to fund initiatives in Children's services. A further £7.1 million is projected to be used in 2022/23 which leaves a balance of just over £520,000 available from 31 March 2023 to be spent mainly on residential children's homes in 2023/24.

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 was used up in 2020/21.

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 2020/21 a further £1.5 million was 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 2023/24 the planned use of this reserve is just over £5.8 million as outlined in Table 3 and the planned expenditure is classified in the following categories:

- £2.3 million for the first part of the replacement of the finance system;
- £500,000 for the first phase of the procurement of a new integrated adult social care case management system;
- £2.7 million on service transformation in the services; and
- £195,000 on dilapidations.

Previously, the Service Transformation Reserve had been maintained through a contribution from the revenue budget. However, budget pressures in the past couple of years has not allowed this and again there is no planned contribution to this reserve in 2023/24.

Instead, a transfer of £4 million from the Budget Management Reserve is needed to meet the increased demand on the Service Transformation Reserve in 2023/24, a further transfer of £3 million in 2024/25 and another transfer of £2 million in 2025/26.

As the new IT systems become operational the Authority will create a new IT System Replacement Reserve. It is intended that future contributions will be made from the revenue budget into this new reserve, equivalent to what was spent to implement the new IT systems. There will be full cost recovery and the budget contributions will be spread out over the period of the licences. This principle will be taken forward for all new cloud based IT systems.

Conclusion

The Authority has, over many years, built up its reserves to a significant level and in recent years used these reserves to protect services and enable transformation and invest to save projects. Although now at a more modest level the reserves are still at an appropriate level to safeguard financial resilience and manage risk.

The single largest financial risk to the authority is the SEND cumulative deficit and although held outside of the main reserves and balances it is none the less a risk over the longer term. It is imperative that the management plan is successful in reducing spending to within the Government grant allocation and that the DfE fund the cumulative deficit as proposed.

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

Table 3 – Earmarked Reserves

Purpose & Description of Reserve	Estimated balance as at 31 March 2023 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2027 £'000
Special Purpose Reserves					
On Street Parking	1,083	455	455	455	455
To fund transportation improvements and initiatives					
Public Health	12,115	7,935	5,435	4,735	4,735
Ringfenced for Public Health expenditure					
Subtotal: Special Purpose Reserves	13,198	8,390	5,890	5,190	5,190
Contingency Reserves					
Budget Management	35,915	26,984	23,484	20,984	20,484
To fund future budget pressures					
Business Rate Risk Management	17,233	17,233	17,233	17,233	17,233
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	72,237	63,306	59,806	57,306	56,806
Service Development and Transformation Reserves					
Business Rates Pilot	520				
To fund invest to save initiatives within Children's services					
Climate Change Emergency	1,509	1,358	1,233	1,106	977
To fund management costs of initiatives in response to Climate Change					
Regeneration and Recovery	260				
To support the Devon economy and promote economic growth					
Service Transformation	6,156	4,328	3,651	3,189	2,959
To manage costs of remodelling services					
Subtotal: Development and Transformation	8,445	5,686	4,884	4,295	3,936
Total Earmarked Revenue Reserves	**93,880**	**77,382**	**70,580**	**66,791**	**65,932**

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

Treasury Management Strategy 2023/24 – 2026/27 and Prudential Indicators 2023/24 - 2027/28

Introduction

The Authority 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 Authority to approve a Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). No changes are proposed to these policies for 2023/24

The policy requires the Authority 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 Treasury Management Strategy sets out the Authority's policies in relation to:

- the management of the Authority'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 Authority 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 2023/24 – 2027/28, 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 Authority 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 have been funded from corporate capital receipts and internal borrowing over the capital programme timescale.

The capital programme for 2023/24 requires borrowing of £7.1 million, which will be internal borrowing. This is offset by the MRP figure of £11.9 million which will leave the Authority with total internal borrowing of £72.7 million, i.e. the Authority will have borrowed £72.7 million from its cash balances, in addition to the external debt of £507.9 million, to fund the capital programme.

With the current financial pressures on the Authority, it is projected that the balances available for internal borrowing will be significantly reduced as a result of:

- Budgeted use of earmarked reserves during 2022/23 and 2023/24.
- Continued unbudgeted expenditure on Special Educational Needs and Disability (SEND), charged to an unusable reserve.
- Spending of accumulated capital grants, for example Section 106 provision of infrastructure and major projects such as the North Devon Link Road.
- Spending of approved carry forwards.

As a result the ability to use internal borrowing, as opposed to external borrowing, to fund the capital programme will become more limited.

The liability benchmark shown in table 6 and the following graph within the prudential indicators section of the Treasury Management Strategy show that the benchmark requirement for external debt from 2024/25 until around 2030 is higher than the current level of external debt, which indicates that further external borrowing may be required.

In April 2022, the Cabinet agreed to support proposals for the creation of the Plymouth and South Devon Freeport. The Business Case includes the requirement for the Authority to externally borrow up to £15 million for the capital works needed. The borrowing will not be required until 2024/25, but at that point the Authority’s total external debt will increase. The additional external borrowing will be ringfenced to the Freeport, and all the associated capital financing costs will be funded by the excess business rate income derived from the scheme.

The Authority continues to await the outcome of the Safety Valve Intervention programme with the Department for Education in relation to the deficit position on Special Educational Needs. At the end of 2021/22 the Dedicated Schools Grant High Needs Block reported a cumulative deficit of £86.5 million which was carried forward as a deficit reserve as per government guidance. When combined with the current year forecast the deficit is expected to be around £127 million by the end of 2022/23. The conclusion of the discussions with the Department of Education and any resulting agreement will be crucial to determining whether the Authority requires further external borrowing to meet its capital priorities.

The current expectation is that while interest rates will rise further during the first half of 2023, they will then reduce in late 2023 and into 2024. Therefore the requirement for new external borrowing will be kept under review with the intention that loans will only be accessed as and when they are required.

Target Rates for Investment

For the 2023/24 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 3.0% p.a. The target rate takes into account the significant increases in the Bank of England's base rate during 2022, but also reflects existing investments at lower rates that will continue into the 2023/24 financial year and the forecast lower availability of cash to invest at higher rates.
The yield from investment in the CCLA Property Fund is assumed to be 3.8%. The property market yield has dropped below the 4% achievable at the inception of the investment as a result of the current economic downturn. It is not proposed to make use of short dated bond funds and multi asset income funds during 2023/24, so these types of funds are not factored into the budget for investment income.

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 also 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 asset life annuity method, an appropriate annuity rate needs to be selected. The percentage chosen corresponded with the Bank of England Monetary Policy Committee's inflation target rate in 2018/19 of 2.1%. MRP will increase by this percentage each year.

Any unsupported (internal) borrowing post 1 April 2008 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. In respect of the Schools Vehicle and Equipment Loans Pool, MRP is derived as equal to the loan repayment.

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

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

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

Capital Expenditure

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

Table 1 – Capital Expenditure

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Total Capital programme	**172,483**	**125,171**	**83,222**	**80,273**	**67,806**
Funded by:					
Gross borrowing	7,066	11,809	7,362	6,640	0
Other capital resources	165,417	113,362	75,860	73,633	67,806
Total capital programme funding	**172,483**	**125,171**	**83,222**	**80,273**	**67,806**
Total capital expenditure	**172,483**	**125,171**	**83,222**	**80,273**	**67,806**

Prudential Indicators

Capital Financing Requirement

The Capital Financing Requirement represents the Authority’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 Authority has entered into.

The Capital Financing Requirement and debt limits will be higher than the Authority’s external debt, as they will be partly met by internal borrowing from the Authority’s internal cash resources. This reduces the cost of the required borrowing, but the Authority also needs to ensure that a prudent level of cash is retained.

The forecast Capital Finance Requirement for 2023/24 and the following four years are shown in table 2 below.

Table 2 – Capital Financing Requirement

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Underlying borrowing requirement	580,556	579,663	574,026	567,478	554,079
Other long-term liabilities	129,456	124,175	119,117	114,637	109,443
Capital financing requirement	**710,012**	**703,838**	**693,143**	**682,115**	**663,522**

Limits to Debt

The Authorised Limit represents the level at which the Authority 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 Authority. Table 3 details the recommended Authorised Limits for 2023/24 – 2027/28.

Table 3 – Authorised Limits

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Authorised Limits:					
Borrowing	740,979	658,929	647,851	640,294	626,148
Other long-term liabilities	129,456	124,175	119,117	114,637	109,443
Authorised limit for external debt	**870,435**	**783,104**	**766,968**	**754,931**	**735,591**

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 2023/24 and following years.

Table 4 - Operational Limits

	£'000	£'000	£'000	£'000	£'000
Operational Limits:					
Borrowing	645,979	633,929	622,851	615,294	601,148
Other long-term liabilities	129,456	124,175	119,117	114,637	109,443
Operational limit for external debt	**775,435**	**758,104**	**741,968**	**729,931**	**710,591**

The forecast opening balance for External Borrowing at 1 April 2023 is £507.9 million and remains unchanged at 31 March 2024.

The Authority 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 Authority's internal cash resources.

Table 5 – Underlying Borrowing Requirement to Gross Debt

	£'000	£'000	£'000	£'000	£'000
Capital financing requirement	710,012	703,838	693,143	682,115	663,522
Gross borrowing and other long-term liabilities	637,306	639,695	636,967	603,657	592,683
Under/ (over) borrowing	**72,706**	**64,143**	**56,176**	**78,458**	**70,839**

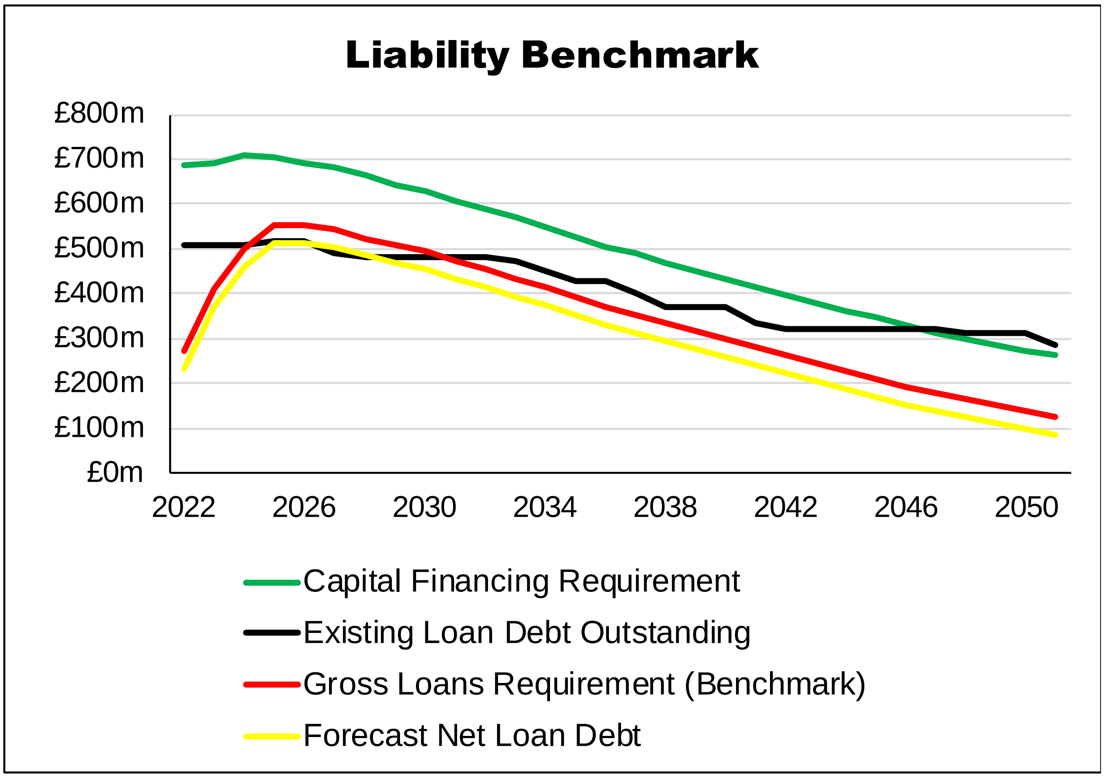
The debt management strategy and borrowing limits for the period 2023/24 to 2027/28 have been set to ensure that over the medium term net borrowing will only be for capital purposes.

Liability Benchmark

To compare the Authority'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

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Capital financing requirement	710,012	703,838	693,143	682,115	663,522
Less: total reserves and provisions	(252,518)	(192,728)	(180,742)	(179,816)	(179,617)
Plus: minimum liquidity requirement	40,000	40,000	40,000	40,000	40,000
Liability Benchmark	**497,494**	**551,110**	**552,401**	**542,299**	**523,905**
External Debt Matuity Profile	507,849	515,518	517,849	489,020	483,239
Net Requirement for additional External Debt	**(10,355)**	**35,592**	**34,552**	**53,279**	**40,666**



The increase in the gross loans requirement at the beginning of the period shown is a result of the reduction in the Authority's reserves and balances available for internal borrowing.

For periods beyond the current extent of the Authority's capital programme, there is no further planned capital expenditure and the budgeted MRP for the repayment of debt therefore reduces the gross loans requirement resulting in the downward trajectory shown in the graph from 2026 onwards.

Ratio of Financing Cost to Net Revenue Stream

Table 7 below shows the relationship between Capital Financing Costs and the Net Revenue Stream for 2023/24 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

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Minimum revenue provision	11,948	12,701	12,999	13,187	13,399
Interest payable	26,017	26,017	26,017	26,017	24,242
Recharges and other adjustments	646	630	605	642	632
Interest receivable	(3,750)	(3,500)	(3,500)	(3,500)	(3,500)
Capital financing cost (excluding other long-term liabilities)	34,861	35,848	36,121	36,346	34,773
Capital financing costs of other long-term liabilities	14,428	13,262	12,427	12,523	12,723
Capital financing costs including other long-term liabilities	49,289	49,110	48,548	48,869	47,496
Estimated net revenue stream	**607,673**	**672,703**	**706,074**	**727,917**	**727,917**
Ratio of financing costs (excluding other long term liabilities) to net revenue stream	**5.74%**	**5.33%**	**5.12%**	**4.99%**	**4.78%**
Ratio of financing costs (including other long-term liabilities) to net revenue stream	8.11%	7.30%	6.88%	6.71%	6.52%

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 reborrowed) in one year increases the risk of being forced to borrow when rates are high.

The Authority’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 Authority’s longer term borrowing has therefore reduced. A lower limit for long dated loans is therefore no longer appropriate.

The proposed Prudential Indicators for 2023/24 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 three of the Authority's four 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 Authority 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 Authority's fixed and variable rate debt as at 31 March 2022 and 31 December 2022 (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 Authority'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 31.03.22 Interest	Rate	Current 31.12.22	Interest Rate
	£'m	%	£'m	%
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 Authority's fixed and variable rate investments as at 31 March 2022 and as at 31 December 2022 (current).

Table 10 – Schedule of Investments

	Actual 31.03.22 Interest	Rate	Current 31.12.22	Interest Rate
Maturing in:	£'m	%	£'m	%
Bank, Building Society and MMF Deposits				
Fixed Rates				
Term Deposits < 365 days	127.50	0.48	126.00	2.34
365 days & >	31.00	0.86	10.00	0.57
Callable Deposits				
Variable Rate				
Call Accounts	49.01	0.58	0.00	
Notice Accounts	40.00	0.32	10.00	3.09
Money Market Funds	16.86	0.55	4.01	3.25
Property Fund	10.00	3.72	10.00	3.66
All Investments	**274.37**	**0.64**	**160.01**	**2.38**

The Authority'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 2022 is lower than at the start of the year. It was anticipated that the cash balance would reduce by 31 March 2023, as a result of:

- The growing deficit on the provision for Special Educational Needs (SEND).
- Expenditure of balances carried forward from 2021/22.
- Use of reserves during 2022/23.
- Internal borrowing to fund the capital programme in excess of MRP.

The recent investment performance of the Authority's cash has improved as a result of rising interest rates, as the Bank of England has sought to contain inflation. The Bank of England has raised base rates from 0.25% at the beginning of 2022 to 3.5% in

December, the highest level for 14 years. This has had an impact on the rates available for investment, which have gradually increased over the period since December 2021. The average rate achieved on investments has therefore improved during the year as Term deposits carried forward from earlier periods have matured and been reinvested at higher rates, where cashflow has allowed.

Prospects for Interest Rates

Forecasting future interest rate movements even one year ahead is always difficult, and the current economic environment and recent volatility in rates has exacerbated this. The factors affecting interest rate movements are clearly outside the Authority'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 Authority retains an external advisor, Link Asset Services, who forecast future rates several years forward. Similar information is received from a number of other sources.
Global instability and rising inflation has resulted in a significant increase in interest rates during 2022. The Bank of England has increased the Bank Rate on 8 occasions during 2022 taking it from 0.25% at the beginning of the year to 3.5% in December.
Market expectations are that rates will continue to increase during 2023, with the Bank of England seeking to achieve a sustainable return of inflation to target levels. The expectation is that the base rate will peak at a level of between 4.5% and 5%. The Bank of England also forecasts negative growth of -1.5% in 2023 and -1% in 2024, representing a long and deep recession. Therefore, once inflation has been brought under control the expectation is that rates will then fall to encourage growth.
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) 2022**	**March 2023**	**June 2023**	**Sep 2023**	**Dec 2023**	**March 2024**	**June 2024**	**Sep 2024**
Link Asset Services	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%
Capital Economics	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%

PWLB Rates	**Dec (act) 2022**	**March 2023**	**June 2023**	**Sep 2023**	**Dec 2023**	**March 2024**	**June 2024**	**Sep 2024**
Link Asset Services forecast								
10 Year	4.30%	4.40%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%
25 Year	4.60%	4.60%	4.60%	4.50%	4.40%	4.20%	4.10%	4.00%
50 Year	4.30%	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.70%

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 2023/24 – 2026/27

The overall aims of the Authority'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.

The capital programme for 2023/24 requires borrowing of £7.1 million, which will be internal borrowing. This is offset by the MRP figure of £11.9 million which will leave the Authority with total internal borrowing of £72.7 million, i.e. the Authority has borrowed £72.7 million from its cash balances, in addition to the external debt of £507.9 million, to fund the capital programme.

Since 2009 the Authority 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. The Authority's external borrowing level has reduced by £102 million since 2008/09, resulting in reduced Capital Financing Charges.

The ability to fund capital expenditure through internal borrowing depends on the availability of cash balances to fund the borrowing. The Authority's cash balances comprise the general balance, earmarked revenue reserves, accumulated capital receipts, unspent capital grants, revenue balances carried forward from previous years and other balances.

With the current financial pressures on the Authority, it is projected that the available balances will be significantly reduced as a result of:

- Budgeted use of earmarked reserves during 2022/23 and 2023/24.
- Continued unbudgeted expenditure on Special Educational Needs and Disability (SEND), charged to an unusable reserve.
- Spending of accumulated capital grants, for example Section 106 provision of infrastructure and major projects such as the North Devon Link Road.
- Spending of approved carry forwards.

As a result the ability to use internal borrowing, as opposed to external borrowing, to fund the capital programme may become more limited.

The new requirement for a liability benchmark is designed to demonstrate whether and when new external borrowing will be required, based on the Authority's current capital programme and the call upon the Authority's cash balances. 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 from 2024/25 until around 2030 is higher than the current level of external debt, which indicates that further external borrowing may be required.

In April 2022, the Cabinet agreed to support proposals for the creation of the Plymouth and South Devon Freeport. The Business Case includes the requirement for the Authority to externally borrow up to £15 million for the capital works needed. The borrowing will not be required until 2024/25, but at that point the Authority's total external debt will increase. The additional external borrowing will be ringfenced to the Freeport, and all the associated capital financing costs will be funded by the excess business rate income derived from the scheme.

The Authority continues to await the outcome of the Safety Valve Intervention programme with the Department for Education in relation to the deficit position on Special Educational Needs. At the end of 2021/22 the Dedicated Schools Grant High

Needs Block reported a cumulative deficit of £86.5 million which was carried forward as a deficit reserve as per government guidance. When combined with the current year forecast the deficit is expected to be around £127 million by the end of 2022/23. The conclusion of the discussions with the Department of Education and any resulting agreement will be crucial to determining whether the Authority requires further external borrowing to meet its capital priorities.

The current expectation is that while interest rates will rise further during 2023, they will then reduce in late 2023 and into 2024. Therefore the requirement for new external borrowing will be kept under review with the intention that loans will only be accessed as and when they are required.

In previous years the Authority has looked for opportunities to reduce external 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, which have meant that it has not been of financial benefit to repay debt before its maturity date.

The increases in interest rates since the start of 2022 have reduced the level of premiums now payable, and for a short period during early October 2022 it would have been possible to repay a proportion of the Authority's external debt without incurring premiums. But given the significant uncertainty and the potential need for new external borrowing, as set out above, it would not make sense for the Authority to repay existing debt and then have to take out new external borrowing at higher rates than the loans that have been repaid.

The earliest date on which any of the Authority's current external debt matures is 31 March 2027, when the Authority is due to repay a PWLB loan of £33.8 million, with a further £5.8 million to be repaid later in 2027. There will need to be careful management of capital requirements over the next four years if sufficient cash resources are to be available so that these loans can be repaid, otherwise there might be a future need to take out new external borrowing to refinance the debt.

The following table 12 sets out the expected profile of external debt, based on the approved borrowing for the South Devon Freeport and the loans maturing in 2027.

Table 12 – Current Approved External Debt Profile

Opening Balance £'m	New Borrowing £'m	Debt Repayment £'m	Closing Balance £'m
507.85			507.85
507.85	7.67		515.52
515.52	2.33		517.85
517.85	5.00	(33.83)	489.02
489.02		(5.78)	483.24

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 3.5%.

Investment Strategy 2023/24 – 2026/27

The Authority 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 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 Authority'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.

Under the Markets in Financial Instruments (MiFID II) directive, local authorities are 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 generally unaffected by the 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 Authority has made applications and been opted up to elective professional client status where required. Those counterparties who have confirmed that they will treat the Authority as a professional client under the MiFID II regulations are set out in Table 13 below.

Table 13 – Counterparties that have "opted up" the Authority to elective professional client status

Counterparty	Counterparty Type
Standard Chartered	UK Bank
Commowealth 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 Authority 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 Authority to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Authority 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 Authority 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 Authority 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 Authority uses the ratings issued by all three of the major credit rating agencies, Fitch, Moody's and Standard & Poor's, made available to the Authority 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 Authority'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. 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 14 below summarises the current 'Approved List' criteria.

Table 14 – 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 Authority 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 Authority has a self imposed limit of ensuring that at least 15% of deposits will be realisable within one month.

The Authority 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 Authority 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 Authority 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 are permitted. However, given the reduced level of cash, the uncertainty around the potential need for external borrowing and the requirement for liquidity it is unlikely that they would be used during 2023/24. 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. If used, funds would 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 Authority'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 would 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 Authority of capital losses impacting on investment income, as any capital loss would only impact on the Authority at the point that the investment is realised, or after the statutory override ends in March 2023.
During 2022 the Government issued a consultation on whether the statutory override should be extended beyond March 2023. The Government has yet to publish a response to the consultation but it is anticipated that the override is likely to be extended for a further time limited period. The current value of the investment in the CCLA Property Fund is now higher than the original £10 million invested, so if the statutory override were removed the Authority revenue budget would benefit from the capital gain in 2023/24, but would need to manage the risk of losses in future years.

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 15 below summarises the 'Approved List' criteria for non specified investments.

Table 15 – 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 2023/24 financial year it has been assumed that the average interest rate earned on lending to banks and building societies will be 3.0% p.a. The target rate takes into account the significant increases in the Bank of England's base rate during 2022, but also reflects existing investments at lower rates that will continue into the 2023/24 financial year and the forecast lower availability of cash to invest at higher rates.
The yield from investment in the CCLA Property Fund is assumed to be **3.8%**. The property market yield has dropped below the 4% achievable at the inception of the investment as a result of the current economic downturn. As set out above, it is not proposed to make use of short dated bond funds and multi asset income funds during 2023/24, so these types of funds are not factored into the budget for investment income.
The targets we have set for 2023/24 are considered to be achievable.
The expectation is that interest rates are likely to increase further during 2023, but are then likely to fall back once inflation is under control. MTFS forecasts have been based on the average rates for lending to banks and building societies continuing to be 3.0% for 2024/25 and 2025/26. However, these will be reviewed in the light of updated interest rate forecasts and changes to the rates on offer from the Authority's counterparties over the MTFS period.

Performance Targets

The primary targets of the Treasury Management Strategy are to minimise interest payments and maximise interest receipts over the long term whilst achieving annual budgets, without taking undue risk. Where there are comparative statistics available for individual aspects of the Strategy these will be used to monitor performance. The Authority 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 Authority'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 Authority 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 Authority's policy, this should have no impact on our treasury management strategy.

Service Investments

The following table sets out the Authority's current financial investments held for purposes related to the Authority's provision of services to the local community, at the values included in the Statement of Accounts as at 31st March 2022. These investments are not held with the primary intention of gaining a financial return.

Table 16 - Service Investments

	Fair Value as at 31 March 2022 £'000
Norse South West Limited	85
Exeter Science Park Limited	885
Skypark	1,401
Total	**2,371**

Norse South West Ltd - Norse South West Ltd (NSW) commenced on 1st May 2022. The company took on the services previously provided by

NPS (SW) Ltd which became inactive on 30th April 2022. The value in the table above reflects the previous value of NPS. As NSW, the new joint venture is structured into five delivery groups; Design, Estates and Asset Management, Facilities (including cleaning), Maintenance and Minor Works and Catering. Ownership remains 80% Norse Commercial Services Ltd (whose ultimate controlling party is Norfolk County Council) and 20% Devon County Council (2 x £1 shares, so minimal risk) Risk management, decision making and performance management is reviewed quarterly by the Liaison Board which includes two Directors representing the Authority. Day to day management of the service level agreement between the Authority and NSW is the responsibility of the Digital Transformation and Business Support service. Performance reports will be made to Cabinet, and to the Corporate Infrastructure and Regulatory Services Scrutiny Committee as appropriate.

Exeter Science Park Ltd - The Authority purchased shares in Exeter Science Park Ltd. at a cost of £2 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 Authority'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 Authority 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. 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

Capital Strategy 2023/24 - 2027/28

Devon County Council - Best Place

Given the continued uncertainty around the impact of the pandemic, the current economic climate and the cost of living crisis, it is difficult to provide clarity around what are a complex and diverse range of potential outcomes, for an uncertain economic future.

The focus of this Capital Strategy is therefore on maintaining flexibility and in supporting operational services in adapting quickly, 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 effects of the pandemic and the current cost of living crisis continue to have a profound effect on the lives and livelihoods of the people of Devon. Working alongside partners such as Team Devon the focus continues to be; protecting the NHS, safeguarding the most vulnerable and supporting local businesses. Another focus continues to be the creation of stability for the South West. Devon's outstanding natural environment and a strong sense of community continues to provide a solid foundation for the future.

Our services

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

Our main service groups are:

Integrated Adult Social Care; including adult care commissioning and adult care operations.

Children's & Young Peoples Futures; including children's health and wellbeing, children's social care and education and learning.

Climate Change, Environment & Transport; includes highways infrastructure, development and waste, transportation, environment and planning (including school place planning)

Transformation, Performance and Resources; including business services including finance and procurement, digital transformation, human resources, organisational change, and the Scomis group.

Public Health, Communities & Prosperity includes communication and media, communities, public health, and economy, enterprise and skills.

Shaping Devon

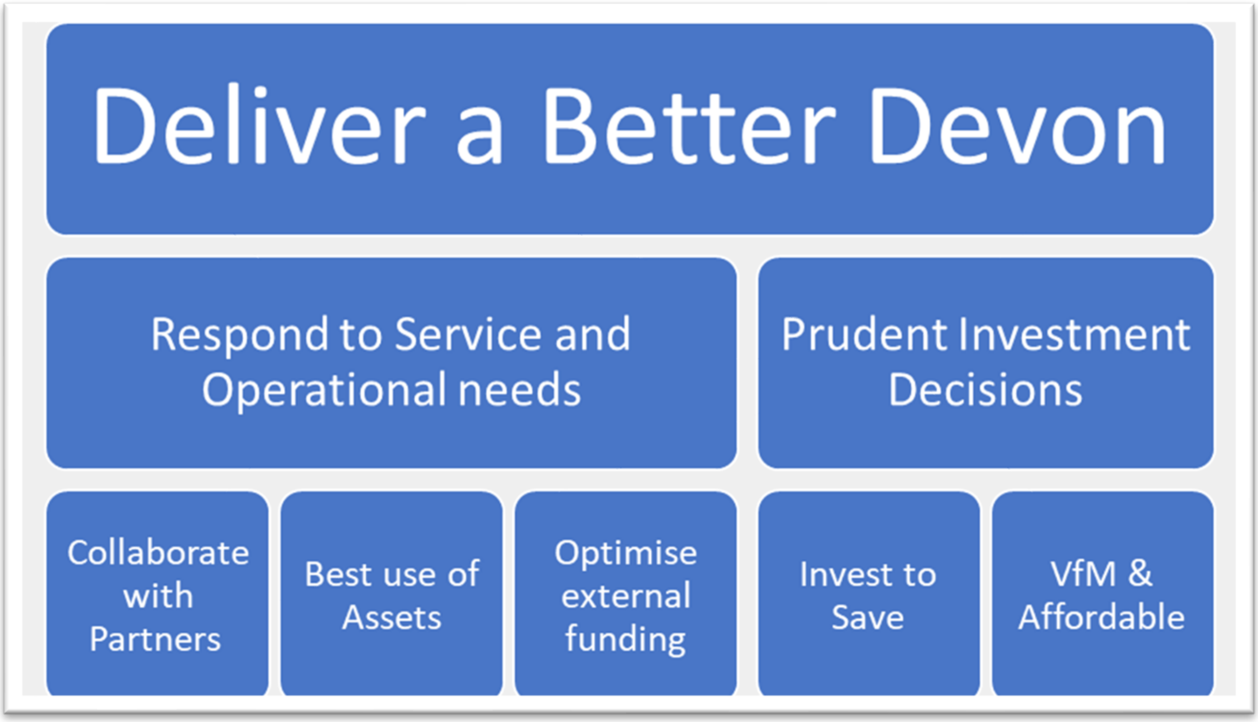
The Capital Strategy ensures that officers takes capital expenditure decisions in line with strategic and service objectives, and properly consider the operational and service needs.

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 Authority, 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 longer term strategic and operational objectives. Through investment in its strategic assets, the Capital Strategy aims to make the best use of resources and support the delivery of service ambition.

This is balanced with the need to ensure prudent, sustainable, and affordable levels of investment and sound financial decision making. This is what the 2023/24 Capital Strategy aims to support.

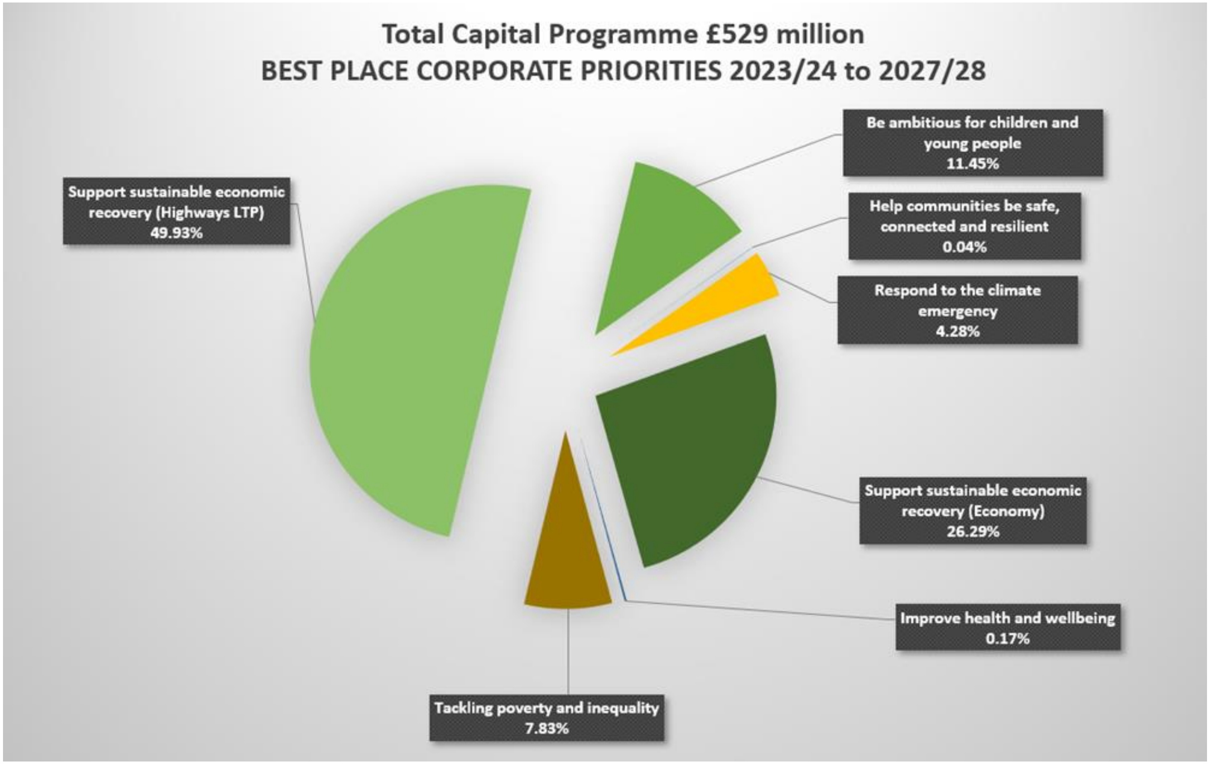
Key Principles of the Capital Strategy:



Total Capital Programme 2023/24 to 2027/28

The forecast capital programme over the next five years amounts to £529 million of investment across Devon. These projects have been aligned with the Corporate Strategy objectives**,** which aim to 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**.** Note that Support for Sustainable Economic Recovery has been split between Economy, and Highways LTP, which is wholly grant funded.



Integrated Adult Social Care

Integrated Adult Social Care works with adults in Devon for whom activities of daily living, whether because of illness, older age, or a disability, can be difficult. We work with people to live as independently as possible, for as long as possible.

We look at the positive aspects of your lives, self care, and support you to gain or retain your independence and live the best life that you can. 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.

Devon County Council and the NHS work together to improve the health of people in Devon and make sure everyone across the county has equal access to healthcare services. Pinpoint Devon provides details of services, voluntary groups and other organisations that help you to stay fit and well, or offer you support for specific problems or disabilities. OneSmallStep provides a tailored service for the people of Devon looking to quit smoking, lose weight or become more active or reduce alcohol intake.

Adult Care Operations and Health is the operational social care service which offers advice, information and signposting as well as assessment, support planning and reviews for older people and working 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 for all adults in Devon to lead lives that are as independent and as fulfilling as possible through being informed, secure and connected.

The Capital Strategy for Adult Social Care 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.

Children & Young People's Futures

This service delivers our statutory duties in relation to education, children in need, child protection and looked after children. It includes a range of services targeted to support families and thus help to avoid the need for children to access further services.

Education and Families

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 Authority 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.

Climate Change, Environment & Transport (includes Highways, Infrastructure & 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 capital works programme and 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 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.

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 a response to the climate emergency. We continue our commitment to responding to climate change via the climate change strategy with funding allocated to energy saving and green initiatives across operational services.

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. Devon was recently awarded Flood and Coastal Resilience Innovation Programme funding of £7 million. The programme will include innovative projects to help communities be more resilient to flooding and coastal change. Other flood 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

The Waste service area 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.

Transformation, Performance & Resources

Transformation, Performance and Resources holds responsibility for the Corporate Estate including County Farm assets. It also holds the portfolios of Financial Services, Human Resources, Communications and Legal along with Digital Transformation, Business Support Services, and Information Technology.

The 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 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.

There is a continual commitment to investing in operational assets by including annual capital funding for the enhancement of the 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 Authority recognises that by investing in its assets it is ensuring their sustainability for the future, providing future economic benefit whilst also seeking to minimise 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 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 Authority online and enable citizens and partners to communicate and access information through a variety of digital solutions specifically designed to meet their needs.

Public Health, Community & Prosperity

The Public Health, Community and Prosperity directorate covers the following areas;

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

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.

The Economy Enterprise and Skills focus on Prosperity, and supports the delivery of economic growth, prosperity and protection for Devon's residents and businesses. More recently this has included providing support and advice to businesses as they attempt to recover from the impact of the pandemic.

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

Capital investment in these service areas 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 2023 and future years is particularly challenging and there may be opportunities for future investment, subject to the availability of funding.

Capital Financing

Where external funding is not available alternative sources of capital financing may be used. Using capital receipts and internal borrowing as the main capital funding source, ensures the overall level of debt remains prudent.

Capital Receipts

Capital receipts must be accounted for separately from revenue income and may only be used to finance capital expenditure or, in specific circumstances, transformation costs. The 'Flexible Use of Capital Receipts' scheme gives local authorities the freedom to use capital receipts from the sale of their own asset, to help fund the revenue costs of transformation projects, only where those projects will:

- Generate revenue savings in the delivery of public services, and, or
- Transform service delivery to reduce costs, or reduce the demand, for services in the future for any of the public sector delivery partners.

In order to make use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between 1st April 2022 and 31st March 2025. At present, the majority of capital receipts are already committed to finance planned capital expenditure. However, schemes could be stopped, deferred or funded from borrowing, in order to free up capital receipts for transformational purposes.

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, to aid in future transformation, and also to ensure that the existing capital programme does not rely too heavily on this finite source of funding.

Internal Borrowing

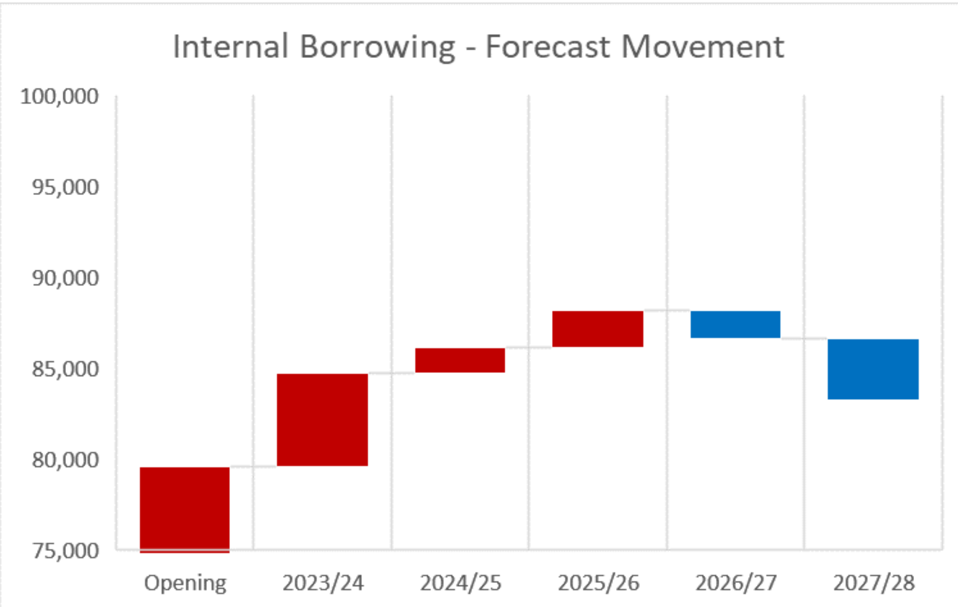
A prudent level of cash balances is required in order to meet obligations in respect of cashflow. Where cashflow allows, cash balances and internal borrowing, also defined as borrowing from internal cash resources, has been used to fund the capital programme. The option to internally borrowing is subject to the availability of cash and is therefore subject to affordability. Use of this internal borrowing mechanism will be monitored by the Director of Finance as part of the wider Treasury Management function.

Whether borrowing is internal or external, there is a requirement 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 that external debt which may be restructured rather than repaid.

During 2023/24 budget setting, we have seen the capital programme grow by £8.4 million, which is funded corporately either by capital receipts or internal borrowing. The following table demonstrates that, were the capital programme to grow by £10 million of internal borrowing per annum, the five year impact on cash reserves would be a net decrease of £3.6 million. However, this will be kept under review and other pressures on cash balances may impact the ability to borrow internally. The forecast levels of MRP and internal borrowing over the five year period, for such a scenario, are shown below.

Year	MRP	Internal Borrowing (committed)	Internal Borrowing (forecast)	Annual increase / (decrease) in cash resources
	£'000	£'000	£'000	£'000
2023/24	11,948	(7,066)	(10,000)	(5,118)
2024/25	12,701	(4,141)	(10,000)	(1,440)
2025/26	12,999	(5,031)	(10,000)	(2,032)
2026/27	13,187	(1,640)	(10,000)	1,547
2027/28	13,399	0	(10,000)	3,399
Net (decrease) in cash reserves over 5 year period				(3,644)

External debt currently stands at £508 million and internal borrowing is forecast to be £80 million as at the end of 2022/23. The net impact of future internal borrowing commitments and MRP set aside, and also assuming an in year need to borrow an additional £10 million per annum for capital programme growth, can be shown in the following chart. Internal borrowing would, in such a scenario, increase to just over £83 million by 2027/28.



External Borrowing

There has been no need to externally borrow since January 2008, mainly as a result of the effective use of internal borrowing and capital receipts. However, the Treasury Management and Capital Strategies recognise that the pressure on cash balances may lead to a requirement for additional external borrowing, to fund capital priorities. Such flexibility is essential to ensure cash resources are sufficient to support the future objectives of operational services and of the capital programme. Should there be a need to undertake or invest in a major strategic project; this may require new external borrowing. This option has already been approved by Cabinet for the Freeport project in 2024/25, which will be part funded by external borrowing. That external borrowing, plus interest, will be repaid by a share of future Business Rates income.

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

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

Governance & Risk

The Medium Term Capital Programme (MTCP) sets out planned capital investment 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 Director of Finance and Public Value has responsibility for the proper administration of 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 under 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 Director for Finance and Public Value, for inclusion in relevant Council and Committee reports.

County Wide and Future Years

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

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

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 2023/24 the Authority 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.

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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. This has been balanced with the need to produce a prudent, sustainable, and affordable level of investment in assets, which the 2023/24 to 2027/28 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 most significant high risk areas for 2023/24 arise where increased demand for services provide cost pressures and the scale of budget requires significant management action and include Integrated Adult Social Care, Children and Young People's Futures, Climate Change and Environment and Transport, 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 87 to 113.

Risk Assessment

Integrated Adult Social Care

Service	Budget 2023/24 £'000	Risk and Impact	Mitigation
Section 1: Risks to market sufficiency - costs and workforce			
Market sufficiency	271,216	The Authority has a statutory duty under section 5 of the Care Act 2014 to ensure the sufficiency of social care markets in Devon. The current cost of living challenge, workforce recruitment and retention, the aftermath of the pandemic, and the continued outbreaks of COVID and flu are having adverse financial consequences on providers leading to instability across market sectors and geographies. Barriers to recruitment include comparatively lower wages in the sector and high housing cost locally that make it difficult to draw people into the county Traditionally, Devon is 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). There are significant capacity challenges in the personal care market, which is resulting the diversion of short term services to support safe discharge from hospital. These conditions and our current discharge to assess	The process to assess financial support requests from providers has been strengthened to manage increased demands for support on the Authority 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. Part of the Devon Alliance for International Recruitment, supporting providers in securing workforce capacity (care workers and nurses) from overseas.

		model is creating additional pressure in our care home market, particularly nursing care. This is placing increasing pressure on care home budgets and other costs across the wider health and care system. 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.	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 NHS Devon and DPT to secure the support that care providers need in order to meet complex needs, including dementia. The discharge model is currently under review.
Demand for packages of care (across all service types)	271,216	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 provides more care to people with a disability than comparator areas. Devon 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. £15,000 but the average unit cost for a disability residential placement is £73,000 per year.	The 2023/24 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. In 2023/24 we will continue with a reinforced and restated focus and drive, through our pending refresh of our Vision and Strategies. We expect fewer people to obtain their support through statutory services in 23/24. The Housing with Support strategy 'A joint approach' has been agreed. Implementation was interrupted

			due to the pandemic but is now being taken forward across statutory and voluntary organisational partnerships to support people to live independently in Devon.
Unit cost pressure (across all service types)	271,216	The unit cost for packages of care and placements is generally continuing to increase and can be volatile. Rising inflation, wage pressures and the rising cost of food, fuel, and power, as well as the continuing costs of infection prevention and control, lead to increased costs. It has meant that we have not been able to buy some services in year, at budgeted costs. 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 at the beginning of the pandemic has led to an increase in the unit price of care homes which the Authority is now being asked to pay. Inflation effect has been estimated based on CPI averaging around 5% for 2023/24. With the current volatility of inflation indicators, particularly utilities, there is a high risk that inflationary forces in the care markets are greater than the budget allows.	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. We continue the work to move away from making arrangements outside of existing contractual arrangements, including for Support Living 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 2023 has already been announced by government at £0.92p. The effect of this increase has been modelled and is included in the budget.
Social care workforce	47,474	This affects the Authority's internal 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.

		southwest (for social work, OT, AMHP and team manager roles). In some instances, pay and conditions in the Authority 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 destabilise delivery of functions. Externally, commissioned providers face recruitment and retention challenges in respect of care workers (as detailed above), there is also 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 Authority 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. The Authority is part of the Devon Recruitment Alliance to support providers in securing workforce capacity (care workers and nurses) from overseas. We have been active and successful in national awards that provide a platform for us to celebrate and promote adult social care in Devon, and the Authority as an employer 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	30,569	The key challenge for the service in 2023/24 will be delivery of £30.6 million of savings which are necessary to balance the budget. These savings will require operational and commissioning changes to be made. The in year response to the financial challenge, business as usual demands including 'winter' pressures have disrupted the usual level of planning for 23/24. Plans have been developed with varying levels of delivery risk. As we reiterate and refocus our promoting independence approach through our pending refreshed Vision, and Strategies, more people will be supported and enabled to need less or no commissioned care, replaced by VCSE and other support in their communities. A vibrant, sufficient and connected VCSE will be key to this approach replaced with other types of support as The impact of these reductions has been estimated in the service statistics (within the detailed service budget pages) but the eventual numbers of reductions by the end of 2023/24 will vary depending on how quickly changes can be made. Risk of loss of full year effect due to consultation requirements delaying implementation	Operational plans will continue to be developed, and legal advice and challenge sought before final decisions on implementation are taken. Our ability and capacity to work increasingly in this way with people and communities will key to our success in building resilience. The pace of our work, and therefore the trajectory of progress will be modelled, planned, and monitored. However residual risk relating to operational and management capacity to formulate and deliver detailed plans whilst continuing to respond to winter pressures in our hospital system, the impact of covid and flu in our markets, whilst meeting the scale and pace of the financial delivery challenge cannot be avoided. Discussions with NHS colleagues to explore any opportunity to work together to mitigate our pressures. Consultation proposals are being drafted and consultation with service users and affected parties will be undertaken once political approval is obtained.
Children transitioning to Adults	134,618	This year, we expect around 73 young people to require ongoing support as adults. Required levels of support vary enormously making financial planning difficult. In recent years there has been a trend of increasing volumes of very high cost children's care packages and	Strong links with children's and education services continue. We are transforming the ASC Transitions Service. It will focus on young people's aspirations, helping them to reach their goals and a focus on housing and

		therefore there is a risk that demand and cost from transitions into adult services outstrips the budget available.	employment. We will work with local markets to develop new and innovative ways to support young people to be independent.
Mental Health	20,084	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 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.	We continue to work with partners across the health and care system to understand local prevalence of mental health, learning disability and autism, and to assess future service requirements across the statutory and voluntary sector. Adult social care managers are engaged in the Learning Disability and Autism Partnership, with Integrated Care Board and Authority colleagues. The work includes repatriations of people back to Devon in a sensitive and planned way.
Autism demand and repatriations	7,173	Autism diagnosis rates and demand for care services has increased sharply in recent years with increasing prevalence evident nationally, regionally and locally. Individuals with autism overlaid with learning disabilities and/or other psychological issues can show complex and risky behaviours necessitating packages of high intensity. We are continuing to see increasing prevalence, particularly in younger adults.	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. The NHS continues to commission a service response from DPT to support the management of

			people with autism and complex behaviours, thereby support their community offer. Discussions regarding the overall NHS commissioned response to people displaying these complex needs will be required in 23/24.
Legislative change	339,302	ASC reform continues to be uncertain. Charging reform has been delayed for two years and there remains uncertainty in the Governments approach to the Cost of Care exercise. The assurance (regulation) of ASC Care Act duties will commence in April 2023, but the delivery of the new programme is still unclear, but we will need to be ready in April. The pending (but again uncertain in timing) introduction of Liberty Protection Safeguards will bring additional statutory requirements and pressures on adult social care. Legislative changes bring probable financial implications for social care budgets, and it is important that when they do, changes are fully funded by government with 'new burden' funding. There is also a risk within the assurance programme that improvement action requiring investment will be needed The weight of the Authority's duties and responsibilities is likely to increase as a result. It is expected the government will provide additional funding, however they may see the changes as 'cost neutral' presenting a risk that no further or insufficient funding is provided.	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. Detailed financial modelling of potential impact has been carried out and careful assessment will be required to 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 £114 million	The Authority entered a pooled budget arrangement in 2015/16 with NHS Commissioners described nationally as the Better Care Fund (BCF). This pooled arrangement now includes £39.6 million of direct support to the Authority's social care budgets. The BCF deployment in 23/24 will require review. Given the increasing budget pressures the risk is that existing investments in joint budgets will not continue and we gradually step back from joint arrangements for system benefits and invest increasingly in ASC in isolation and less strategically across the system. This may be an approach that could be reciprocated 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 and will review the 23/24 s75 agreement. 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 and our longstanding joint management posts in operations further consolidate this ethos.
Joint funding of complex care		A tighter application of eligibility for NHS Continuing Health Care can lead to rising demand for social care. This risks an increase in the number of complex packages which generally have a high individual unit cost. Since 2018 Devon has a S117 funding agreement for older people and people with a disability, the agreement is based on historic financial analysis, and our current service landscape is in a very different position.	Joint frameworks and relationships with the ICB are well developed, including escalation and challenge where appropriate. External review of cases by another LA to validate Devon's approach is in place. Pooling of resources and risk are considered collectively with the NHS commissioners. Health Liaison leads are in place to support staff's decision making. The current S117 agreement for older people and people with a disability will require renegotiation.

Hospital Discharge Cessation of Funding		From the start of the pandemic until the end of March 2022, the government ran a discharge to assess model from acute hospitals. From April 2022, the national funding for this model ceased. Devon ICB and Devon County Council took the decision to continue the model outlined in the national guidance and to further invest in additional personal care. The local funding will cease in March 2023. The new government allocation expected will not meet the current model cost. The financial risk of cessation to the model includes pressure to maintain and improve hospital system flow with the existing care support and further increase pressure on social care markets.	A new joint discharge model to support flow will be created with our ICB and NHS provider partners. This model will need to be financially sustainable to all members of the system. Planning has initiated to reduce the additional agency costs.

Children and Young People's Futures

Service	Budget 2023/24 £'000	Risk and Impact	Mitigation
Market sufficiency – looked after children and care experienced young people placements.	71,000	The "sufficiency duty" is a statutory duty set out in the Children's Act 1989. The Authority 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. Competition for appropriate accommodation and rising prices have made placements more expensive for us to buy. The number of children coming in care has increased, in part due to the impact of the now mandatory National Transfer Scheme where local authorities are required by law to accept Unaccompanied Asylum Seeking Children up to 0.1% of their child population. The Home Office expects all young people transferred under the Scheme to be moved out of Home Office run hotel accommodation within 5 days, a reduced target from 10 days previously. The income received from the Home Office doesn't always cover the full cost of looking after these young people and the risk is that as more arrive under the NTS further pressure is put on placements sufficiency leading to young people being accommodated in hotels for longer. An increased number of children coming into our care have mental health issues requiring a greater level of specialist support. The pressures across the mental	The sufficiency strategy "A Place Called Home" sets out the sufficiency plans that will ensure each young person has a place to call home in the right place at the right time. DfE capital grant to fund new children's home provision has been secured, plans are underway to provide up to 7 beds across 3 Homes to provide accommodation and support to meet the needs of some our most complex young people. One Authority building has been released to accommodate 4 UASC placements, with lease negotiations underway to secure a further property for 4 placements. Market engagement with providers continues. Commissioners have created a flexible purchasing system which allows for new providers to be admitted on a continuous basis through the Residential Framework Contract. "Innovation" lots allow us to purchase bespoke arrangements. The Mockingbird fostering support initiative launched in Devon during 2022/23 creating a network of foster carers looking after some of our most complex children enabling them to seek and provide mutual support to each other. At a national level this initiative

		health system are well documented and the risk is that young people will not receive the help they need when they need it if we are unable to source suitable accommodation and support.	has proven successful in achieving greater placement stability for young people.
Children's Services Improvement		Restorative practice is a term used to describe behaviours, interactions and approaches which help to build and maintain positive, healthy relationships, resolve difficulties and repair harm where there has been conflict. Restorative practices enable those who work with children and families to focus upon building relationships that create and inspire positive change. Creating change sometimes requires challenge as well as support. Restorative practice is a key pillar of the Improvement Plan and has been funded by £1.5 million DfE grant which ceases on the 31st March 2023. Restorative practice coaches are essential to the roll out of the approach which is not yet fully embedded across the service. The risk is that if further grant is not secured for 2023/24 the pace and quality of improvement is compromised.	Restorative Practice Coaches are new roles included in the reshape of Children's Services. Conversations with the DfE are underway to seek extended financial support into 2023/24.

Social Care workforce recruitment and retention	42,000	Continued focus on workforce recruitment, retention and well being is gradually leading to a more stable workforce which in turn will lead to reduced spend on agency staff. Nationally and locally there remains a shortage of qualified social workers and the risk is that vacancies cannot be filled leading to higher caseloads and/or increased use of agency staff.	New leadership arrangements are in place and full implementation of the reshaped service during 2023/24 is expected to lead to greater workforce stability. Developing a targeted early help offer providing support to families at an earlier stage should mitigate the need for them to access to statutory services and therefore helps to manage demand. Combined these measures should lead to a reduced need to employ agency staff.
Savings and cost management strategies	(6,100)	Ensuring each child is in the right place to meet their needs at the right time at the right place depends on market sufficiency and managing price and volume demand. Savings are predicated on the basis that the market is able to respond sufficiently and placements can be made close to home where appropriate and represent Best Value. Expanding access for families to a broader range of resources enabling them to tap into a wider network of support relies on the continuation of grant funding streams such as the Housing Support Fund, and access to community groups providing practical assistance and other support.	Commissioners continue to work closely with providers to find flexible solutions to creating provision and support packages. Increase awareness amongst social workers and other professionals to enable them to better signpost families to a wider range of support networks.

Education, Learning and Inclusion Services – General Fund	57,988 (net)	The unknown medium and long term impacts of all aspects of the long term COVID-19 impact including market provision, recruitment, and retention, changing ways of working, cost of living, delays to key strategic projects, capacity, and demand. A number of Devon's schools continue to convert to academies. 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. Reduction to the number of Schools wishing to purchase advice and support from Devon Education Services could have an adverse impact on Traded Services buyback.	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 Authority posts, supporting schools with messaging for Devon employment. Looking to secure additional capacity for projects where funding allows Ensure strong and effective collaborative working and information sharing to set out clearly the Authority'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	45,140 (net)	The number of pupils requiring home to school transport remains high together with external market pressures caused by COVID-19, fuel crisis and cost of living sees limited operators causing costs to rise.	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.

		Personalised transport with increased journey times continues to rise as the number of children with complex needs grow.	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	725,675 (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 2023/24 is projected to be £26 million. As directed by the DfE the cumulative deficit is currently held, and will continue to be held, outside the Authority's accounts until 31 March 2026. 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	559,332 (net)	This is a delegation to schools' budgets. This risk is predominately caused by the impact of the national funding formula, changes to employee costs and the cost of living crisis adding to pressure on school budgets. This could lead to schools prioritising	Continue to engage with national reviews of schools funding arrangements.

		their spend in ways which may impact on traded services and dedelegation decisions. This in turn affects the sustainability of services for all schools and academies.	Continue to develop partnership working to maximise effect of collaborative approaches between statutory and purchased service delivery.
Central Schools Services Block	4,235 (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	139,816 (net)	The significant risk that the SEND 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 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. There is also a risk of more permanent exclusions and an increase in harder to admit children.	The DSG management plan lays out the actions that must be taken to return the SEND Service 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 SEND thereby reducing the demand on more expensive statutory services; Review of 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 of post-18 education within Other Special Schools; Consider Independent Special School block contracts or a minimum of 5% reduction in placement costs.

Public Health, Communities and Prosperity

Service	Budget 2023/24 £'000	Risk and Impact	Mitigation
Members Locality Budgets and Growing Communities Fund	739	Community funding has provided important small/medium grants to local organisations particularly to support COVID-19 response and recovery. The reduction in these budgets means the Authority may lose capacity in supporting community resilience and organisations will have fewer opportunities to fund wellbeing, preventative and local connection and capacity building. Inflationary and costs of living pressures on small organisations are significant and may result in groups/projects ending.	The Authority will optimise the use of the remaining community grant funds for 2023/24 to focus on strategic priorities.
Libraries	7,300	As with other services heavily reliant on staff, building based offers and technology, the current inflationary costs are placing significant pressures on budget and sustainable delivery. As a result, the Authority and its commissioned service will need to review the number of books/resources it can purchase, the number of staff and its opening hours, the numbers of buildings and vehicles it maintains in order that the offer is sustainable and fit for purpose.	Work closely with provider to reduce costs and drive efficiency. Where changes are required consider current user numbers and wider impact. Where appropriate, continue promotions of electronic and online services.
Exeter Science Park (loan guarantee)	Max 2,652	The Science Park Innovation Centre was built by Exeter Science Park Limited (ESPL). This was partially funded via a loan from the Local Enterprise Partnership (LEP). The Authority have guaranteed	The guarantee is based on development monies being generated in the future to repay the loan which falls due in October 2023. ESPL Shareholders are working with the LEP to consider options.

		50% of the loan and interest, and there is a risk that this could be triggered.	
Budget Reductions (incl. Policy Changes)	404	Reductions are becoming harder to achieve. Some reductions are reliant on collaboration and cooperation from partners which cannot be fully guaranteed or controlled by the Authority 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 2023/24 with particular emphasis on high risk or new strategies. Continuous efforts to influence and negotiate with partners will be maintained.

Corporate Services

Service	Budget 2023/24 £'000	Risk and Impact	Mitigation
All Corporate Services	44,848 (net)	Where the Authority 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 frontline 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.
All Corporate Services	44,848 (net)	The long term impacts of COVID-19 compounded by unprecedented inflationary pressures will necessitate extensive service transformation and delays to key strategic projects.	Work closely across the Tactical Leadership Team to ensure resources are deployed appropriately and the impact of transformation or delayed projects is fully understood.
ICT	12,036 (net)	Nationally the threat of Cyber Security is a growing risk, and the Authority must ensure its staff and Members have sufficient skills to operate technology in a secure way to protect the data assets of the Authority.	Activity built into the Digital and Technology roadmap to educate staff and Members. This will include increased cyber security training.
Business Services and Support	6,629 (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.
Coroners Service	1,938 (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	2,723 (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.	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.

Climate Change, Environment and Transport

Service	Budget 2023/24 £'000	Risk and Impact	Mitigation
Highways Maintenance term maintenance contract	19,000	The budget has been set to take account of expected inflationary increases. However, further increases during the year could impact the level of expenditure and / works delivery.	The inflation allocation included in the budget is based on information received from the Department for Transport. Close working with the term maintenance contractor may allow the mitigation of some additional pressures encountered.
Winter Maintenance and Emergencies	3,000	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 winter. Therefore, more inclement weather is likely to lead to this budget being exceeded.	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. The Authority policy is to respond appropriately to such events and wherever possible divert resources from other works in order to mitigate some of the costs. Scenario modelling is undertaken to assess any potential overspend.
Safety Defect Repairs	Approx. 5,500	This continues to be a volatile service area. Prolonged adverse weather conditions significantly affect the level of safety defects needing attention. Significant under investment has reduced the resilience of the network and left it more susceptible to bad weather and changes in patterns of use.	Works are closely monitored during the year and safety related works are prioritised over cyclic cleaning activities. Focusing on early capital funded interventions has helped mitigate future revenue expenditure as far as possible.
Highways Services Income from Fees and Charges	2,400	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 £240,000.	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	30,600	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 the Authority, such as the wider economic climate and more working from home. 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. Responses to Government consultations on waste policy & further details of the Extended Producer Responsibility for Packaging are expected to be published later this year which may impact on future service delivery. Diversion of waste containing POPS (Persistent Organic Pollutants) away from landfill has resulted in service changes which have yet to be finalised and may result in additional costs. Tightening of emission levels at the Energy Recovery facilities & the introduction of the Electricity Generation Levy will also impact with the potential for increased costs and less income generation.	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. The Devon Resource & Waste Strategy generally aligns with the Government direction of travel including all District/Borough/City Councils either already collecting food waste or starting to roll it out. Arrangements are being put in place to manage POPS waste and work is still ongoing to understand and evaluate the impact of this and the new requirements at the Energy Recovery facilities. Devon has responded to numerous consultations on Government policy such that the impact on Local Authorities is understood by Government.
Public & Community Transport	15,000	Patronage levels on local bus services have returned to around 80% of the pre COVID-19 levels and have been further impacted by reliability of services due to driver shortages. This is impacting on the commercial market which accounts for around 80% of the network. If the recovery plateaus this will put additional pressure on bus companies and could lead to further commercial withdrawals. The Authority will	Government is currently considering whether to maintain their support for local bus services recovery into the 2023/24 financial year. The Authority was partly successful with its Bus Service Improvement Plan bid which will be used to improve the infrastructure of the local bus network. The funding will be used to for fare and promotional activity designed to help improve the viability of the network.

		then be under pressure to reinstate services with a financially supported local bus contract. This is at a time of severe financial pressures for the Authority. Linked with high transport inflation tender prices continue to increase putting pressure on the Public Transport budget. Central Government post COVID-19 recovery grants are due to cease on 31 March 2023. This fund is currently used to reinstate surrendered commercial bus services, cover high inflation costs on existing contracts and the increased costs through contract surrenders. It also supports the loss of fare revenue through lower patronage. The Authority 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.	The Authority will continue to lobby Central Government to provide funding for a viable and sustainable local bus network. If any reductions in the supported local bus network is required a full consultation must be undertaken on any reduced frequency of services. This is a lengthy process taking nine months to complete and implement the changes.
Flood Risk Management – Surface water	800 (excludes capital prog.)	The Authority 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.	The Authority 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		The introduction of Community Infrastructure Levy in three Local Planning Authorities has created further uncertainty on securing development contributions towards education infrastructure.	Devon to contact Local Planning Authorities to request education be treated as Section 106 item following the

to school transport revenue)		Failure to provide appropriate schools places 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.	Government review of CIL. Ensure approved Free Schools are delivered, realising central Government investment. 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.

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
ASW RAA	Adopt South West Regional Adoption Agency
BACS	Bankers automated clearing services (electronic processing of financial transactions)
BCF	Better Care Fund - formerly known as the Integration Transformation Fund, a national arrangement to pool existing NHS and Local Government funding starting in April 2015.
BDUK	Broadband delivery UK
Blk	Block
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 Cooperation
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
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
SFP	Sustainable Food Places
SGO	Special Guardianship Order
SRO	Senior Responsible Officer
SR21	Spending Review 2021
STP	Sustainable Transformation Programme
TBC	To be confirmed
TCS	Transport Coordination 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