



**Revenue & Capital  
Outturn 2007/2008**

*Executive  
17<sup>th</sup> June 2008*

**2007/08 SPENDING : REVENUE & CAPITAL OUTTURN**  
**Report of the Director of Finance, IT and Trading**

**Recommendations : It is recommended that:**

- (i) Members note that the draft outturn for 2007/08, after carry forwards and contributions to balances, reserves and provisions, shows an underspend of £77,000 against the approved revenue budget;
- (ii) The 2007/08 revenue outturn be approved, including transactions on special funds and provisions, spending against budget, treatment of over and under spendings and the implications for balances, as set out in the Tables;
- (iii) The 2007/08 capital outturn be approved including spending against budget and proposed carry forwards, in accordance with the Tables;
- (iv) The use of capital finance as set out in the Statement of Determination of Capital Finance in paragraph 8 of the Capital Outturn Report be approved;
- (v) A total of £20.452m is set aside from revenue resources as provision for credit liabilities (to repay debt);
- (vi) The capitalisation of £0.127m revenue spending be approved, together with the budget virements to reflect this;
- (vii) The total monies owing to the Council as at 31<sup>st</sup> March 2008 be noted;
- (viii) The Treasury Management Stewardship report at Appendix 2 be approved.

**PART 1 – Revenue**

**1 Background and Summary**

- 1.1 Sound budget management is embedded throughout the County Council, with regular reports to Directorate Management Teams, Management Board and the Executive. Rules are well established, including carry forward arrangements, which ensure that spending flows are properly managed through the year and avoid unnecessary year-end spending.
- 1.2 The year started with potential spending pressures in Children and Adult Services. In addition, overspends were identified within the Waste Disposal service. Management action was progressed to reduce the early overspend forecasts and central support services undertook a range of measures to minimise the impact of the forecast. Active treasury management increased interest income from cash holdings, to balance the budget overall.
- 1.3 Once again, the sound financial management by Members and Officers has secured a balanced year-end spend and provided resources for carry forward arrangements. This is an excellent result for 2007/08, bearing in mind the significant pressures on vital services that the County Council provides.
- 1.4 Interest from investment secured additional income of £5.381m with capital financing charges producing an underspend of £1.750 million.

- 1.5 2007/08 has been a stable year financially compared to 2006/07, however the County Council faces significant issues in the forthcoming year. The Boundary Committee review of Local Government in Devon will recommend a major structural change. The capital receipt from the sale of Exeter Airport will begin to produce many improvements to the County as a result of the investment, the Local Area Agreement will similarly focus achievements with partner organisations and social care services will be modernised, providing benefits for service users.

## 2 **Spending**

### 2.1 Children and Young People's Services

The Dedicated Schools Grant supports expenditure on schools and a number of central services. Legislation requires that schools under or overspending must be carried forward to following financial years. For 2007/08, the net underspend was £11.884m, just under 3.3% of their budgets. In relative terms, this is consistent with the 2006/07 outturn. The central services overspent at the year end by £202,000. It is requested that this be met from working balances.

Spending pressures were felt within the Service. These were particularly acute in areas such as Access, including Home to School transport and Looked-After-Children, in functions such as external fostering growth and increased residential placements.

Carry forwards to 2008/09 are sought in respect of DCC contributions to Standard Funds supported activity and Devon Education Services. These total £378,000 in addition to the statutory schools carry forward and a further £185,000 is requested as a transfer to reserves.

### 2.2 Environment, Economy and Culture

The Directorate underspent by £0.924m in net terms on services. Within this Waste Management overspent by £0.722m as a result of general increased tonnages relative to estimates at the start of the year and unforeseen support needing to be provided for the disposal of Waste Electrical and Electronic Equipment.

The On-Street Parking account accrued £1.197m which the County Council has a statutory requirement to carry this forward to 2008/09 financial year. Other minor carry forward items predominantly related to Culture and Library activities produce an overall carry forward of £1.4m.

### 2.3 Adult and Community Services

Forecasts in the early part of the financial year were indicating a large overspend, as a result of pressures on the service as a whole. Member and Officer review, together with management action and the impact of guidance relating to NHS Continuing Health Care has secured an underspend of £3.478m.

The main element of underspend relates to Extra Care Housing, where budget was provided for capital housing schemes. The underspend will be placed in an earmarked fund for this purpose, to be deployed in the modernisation of the management of residential homes for older people.

Learning disability Services produced an underspend of £1.371m. This was as a result of the 2006/07 recovery plan and the transfer of responsibility for costs to Devon Primary Care Trust associated with the new guidance outlined above.

### 2.4 Chief Executives, Finance & IT and Personnel & Performance

In order to manage the overall budget of the County Council, central directorates produced underspends through short-term staff vacancies, increased income and delayed project programmes.

Each Directorate delivered savings and the year-end position produced an overall underspend of £2.792m. In order to recover progress on delayed projects, a substantial

element of the underspend will be carried forward to 2008/09.

## 2.5 Other Items

The County Council has continually been successful in its cash flow management. Whilst this cannot be guaranteed on an annual basis, during 2007/08 £5.381m additional interest was generated. Base rate movements and higher than budgeted cash balances have contributed to this position.

The level and purpose of provisions is continuously reviewed and a number of adjustments have been required as a result of changing service needs and statutory reporting requirements, adjustments to the level of provisions has resulted in £4.856m being returned to revenue.

As a result of annual slippage on the capital programme from previous financial years, capital financing charges also produced an underspend of £1.750m.

Reward and business growth incentive grants of £7.468m have been received and set aside in earmarked reserves for centrally managed initiatives.

## 3 General Balances

3.1 A review of the risk-assessment level indicates that the Council should hold working balances around the £14m level.

3.2 Working balances at 31<sup>st</sup> March 2007 were £14.119m. As a result of outturn, it has been possible to make a further contribution of £77,000, bringing the level at year-end to £14.196m.

## 4 Earmarked Reserves

4.1 At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £48.092m. During the year, budgeted and other contributions have been made to earmarked reserves and spending has taken place. The net effect has been to increase earmarked reserves by £5.864m.

4.2 Details of the purpose of each fund and the management arrangements are included on pages 16 and 17.

## 5 Financial Health Indicators

5.1 A range of financial health indicators have been consolidated into one schedule, Appendix 3. These highlight the performance of 2007/08 against critical financial measures, together with comparative figures for 2006/07. Targets for 2008/09 are also indicated and performance against these will be reported to Executive throughout the year.

## 6 Management Action

6.1 Members will be aware from previous paragraphs in this report that there have been significant pressures in Adults and Children's Services budgets. Through Members' Budget Working Parties, there has been close Member scrutiny of the financial position. Pressure in both these areas is likely to be present throughout the current financial year and it is vital that close review by both Members and Officers continues.

7 **Conclusion**

The Outturn Strategy has produced an excellent result for 2007/08 with provision being made to carry forward a significant number of unspent budgets and monies set aside for funds for specific purposes. If all results, recommendations and tables are accepted, the overall recommended outturn for 2007/08 will be £414.021m, being £77,000 under target.

John Mills

Electoral Divisions: All

Local Government Act 1972

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| <u>Background Paper</u> | <u>Date</u> | <u>File Ref</u> |
|-------------------------|-------------|-----------------|
|-------------------------|-------------|-----------------|

Nil

Executive Member: Councillor Brian Greenslade



**REVENUE OUTTURN SUMMARY 2007/08**

|  | Final<br>Approved<br>Budget | Spending       | Variations<br>(Under) /<br>Over |
|--|-----------------------------|----------------|---------------------------------|
|  | (1)<br>£'000                | (2)<br>£'000   | (3)<br>£'000                    |
| 1 Children and Young People - Schools  | 10,910                      | (772)          | (11,682)                        |
| 2 Children and Young People - Non Schools  | 90,995                      | 93,059         | 2,064                           |
| 3 Environment, Economy & Culture   | 98,422                      | 97,498         | (924)                           |
| 4 Chief Executive's  | 13,222                      | 12,086         | (1,136)                         |
| 5 Finance & IT   | 12,948                      | 11,526         | (1,422)                         |
| 6 Personnel & Performance  | 4,080                       | 3,990          | (90)                            |
| 7 Adult and Community Services   | 147,112                     | 143,634        | (3,478)                         |
| 8 Building Maintenance   | 1,212                       | 1,064          | (148)                           |
| <b>TOTAL FOR DIRECTORATES</b>  | <b>378,901</b>              | <b>362,085</b> | <b>(16,816)</b>                 |
| 9 Budget Carry Forward Fund  | (15,043)                    |                | 15,043                          |
| Adjustments to provisions  |                             |                |                                 |
| 10 Stepped interest rate loans   | 0                           | (2,948)        | (2,948)                         |
| 11 Staffing transition   | 0                           | 2,291          | 2,291                           |
| 12 Insurance   | 0                           | (4,000)        | (4,000)                         |
| 13 Bad debts   | 0                           | (199)          | (199)                           |
| 14 ACS modernisation   | 0                           |                | 0                               |
| 15 Capital Financing Charges   | 48,582                      | 46,832         | (1,750)                         |
| 16 Investment Income on Balances   | (8,785)                     | (14,166)       | (5,381)                         |
| Levies and Contributions to Outside Bodies   |                             |                |                                 |
| 17 Environment Agency  | 218                         | 214            | (4)                             |
| 18 Devon Sea Fisheries   | 309                         | 309            | 0                               |
| 19 Direct Revenue Support for Capital  | 131                         | 127            | (4)                             |
| 20 Contributions to Earmarked Reserves   | 9,785                       | 9,869          | 84                              |
| 21 Receipts paid directly into Reserves  | 0                           | (7,468)        | (7,468)                         |
| 22 Contribution to Trading Units   | 0                           | 332            | 332                             |
| <b>Sub Total</b>   | <b>414,098</b>              | <b>393,278</b> | <b>(20,820)</b>                 |
| 23 Routine Spending from Earmarked Reserves  | 21,299                      | 23,215         | 1,916                           |
| 24 Routine Use of Earmarked Reserves   | (21,299)                    |                | 21,299                          |
| <b>25 TOTAL</b>  | <b>414,098</b>              | <b>416,493</b> | <b>2,395</b>                    |
| * This is the net budget for schools, expenditure of £383m in addition to this is funded by dedicated school grant and the Learning and Skills Council |                             |                |                                 |

**REVENUE OUTTURN SUMMARY 2007/08**

| <b>Recommended Action</b>                       |  |  |  |  |           |
|---|--|--|--|--|-----------|
| C/Fwd<br>to 08/09<br>from 07/08<br>(4)<br>£'000 | Take to / (from)<br>Reserves<br>(5)<br>£'000 | Recommended<br>Outturn<br>(6)<br>£'000 | (Increase)/<br>Decrease<br>in Balances<br>(7)<br>£'000 |  |           |
| 11,884  |  | 11,112                                 | 202  | Children and Young People - Schools        | 1         |
| 563   | 185  | 93,807                                 | 2,812  | Children and Young People - Non Schools    | 2         |
| 1,400   |  | 98,898                                 | 476  | Environment, Economy & Culture             | 3         |
| 1,094   |  | 13,180                                 | (42)   | Chief Executive's                          | 4         |
| 1,142   |  | 12,668                                 | (280)  | Finance & IT                               | 5         |
| 140   |  | 4,130                                  | 50   | Personnel & Performance                    | 6         |
| 1,374   | 2,500  | 147,508                                | 396  | Adult and Community Services               | 7         |
| 148   |  | 1,212                                  | 0  | Building Maintenance                       | 8         |
| <b>17,745</b>                                   | <b>2,685</b>                                 | <b>382,515</b>                         | <b>3,614</b>   | <b>TOTAL FOR DIRECTORATES</b>              |           |
| (15,043)  |  | (15,043)                               | 0  | Budget Carry Forward Fund                  | 9         |
|   |  | (2,948)                                | (2,948)  | Adjustments to provisions                  |           |
|   |  | 2,291                                  | 2,291  | Stepped interest rate loans                | 10        |
|   | 4,000  | 0                                      | 0  | Staffing transition                        | 11        |
|   |  | (199)                                  | (199)  | Insurance                                  | 12        |
|   | 3,000  | 3,000                                  | 3,000  | Bad debts                                  | 13        |
|   |  |  |  | ACS modernisation                          | 14        |
|   |  | 46,832                                 | (1,750)  | Capital Financing Charges                  | 15        |
|   |  | (14,166)                               | (5,381)  | Investment Income on Balances              | 16        |
|   |  |  |  | Levies and Contributions to Outside Bodies |           |
|   |  | 214                                    | (4)  | Environment Agency                         | 17        |
|   |  | 309                                    | 0  | Devon Sea Fisheries                        | 18        |
|   |  | 127                                    | (4)  | Direct Revenue Support for Capital         | 19        |
|   | 900  | 10,769                                 | 984  | Contributions to Earmarked Reserves        | 20        |
|   | 7,468  | 0                                      | 0  | Receipts paid directly into Reserves       | 21        |
|   | (12)   | 320                                    | 320  | Contibution to Trading Units               | 22        |
| <b>2,702</b>                                    | <b>18,041</b>                                | <b>414,021</b>                         | <b>(77)</b>  | <b>Sub Total</b>                           |           |
|   |  | 23,215                                 | 1,916  | Routine Spending from Earmarked Reserves   | 23        |
|   | (23,215)                                     | (23,215)                               | (1,916)  | Routine Use of Earmarked Reserves          | 24        |
| <b>2,702</b>                                    | <b>(5,174)</b>                               | <b>414,021</b>                         | <b>(77)</b>  | <b>TOTAL</b>                               | <b>25</b> |

**REVENUE OUTTURN 2007/08**
**WORKING BALANCES**

|   | Balance<br>1st April<br>2007<br>(1) | Contrib'ns<br>(2) | Spending<br>(3)  | Balance<br>31st March<br>2008<br>(4) |
|---|-------------------------------------|-------------------|------------------|--------------------------------------|
|   | £'000                               | £'000             | £'000            | £'000                                |
| 1 Working Balances                            | 14,119                              |                   |                  |                                      |
| 2 Contribution from Revenue Budget - budgeted |                                     |                   |                  |                                      |
| 3 External Support for Revenue Spending       |                                     | 414,098           |                  |                                      |
| 4 Net Revenue Spending                        |                                     |                   | (414,021)        |                                      |
| <b>5 Total County Fund</b>                    | <b>14,119</b>                       | <b>414,098</b>    | <b>(414,021)</b> | <b>14,196</b>                        |

**EARMARKED RESERVES**

|                                     | Balance<br>1st April<br>2007<br>(1) | Contrib'ns<br>from<br>Budget<br>(2) | Contrib'ns<br>from<br>Outturn<br>(3) | Contrib'ns /<br>Movements<br>Other<br>(4) | Spending<br>(5) | Balance<br>31st March<br>2008<br>(6) |
|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|-----------------|--------------------------------------|
|                                     | £'000                               | £'000                               | £'000                                | £'000                                     | £'000           | £'000                                |
| 1 Affordable Housing                | 3,292                               |                                     |                                      |   | (1,639)         | 1,653                                |
| 2 Blighted Properties               | 200                                 |                                     |                                      |   |                 | 200                                  |
| 3 Building Maintenance              | 380                                 |                                     |                                      |   | 224             | 604                                  |
| 4 Customer Access Strategy          | 805                                 | 500                                 |                                      |   | (647)           | 658                                  |
| 5 Development Fund                  | 2,150                               |                                     |                                      |   |                 | 2,150                                |
| 6 Devon Cleaning and Catering       |                                     |                                     |                                      | 446                                       | 113             | 559                                  |
| 7 Emergency                         | 219                                 |                                     |                                      |   | (117)           | 102                                  |
| 8 Energy & Water Efficiency         | 50                                  |                                     |                                      |   | 5               | 55                                   |
| 9 Energy Conservation               | 0                                   |                                     | 200                                  |   |                 | 200                                  |
| 10 European / Matched Funding       | 977                                 | 350                                 |                                      |   | (904)           | 423                                  |
| 11 Extra Care Housing               | 4,560                               |                                     | 2,500                                |   | (414)           | 6,646                                |
| 12 Financing Fund                   | 958                                 |                                     |                                      |   | (213)           | 745                                  |
| 13 Inspection / Implementation      | 78                                  |                                     |                                      |   |                 | 78                                   |
| 14 Insurance                        | 0                                   |                                     | 4,000                                |   |                 | 4,000                                |
| 15 Local Authority Business Grant   | 1,896                               |                                     |                                      | 1,979                                     | (143)           | 3,732                                |
| 16 Local Initiatives                | 826                                 | 114                                 |                                      |   | (640)           | 300                                  |
| 17 LPSA2 Pump Priming               | 1,002                               |                                     |                                      | 5,489                                     | (1,002)         | 5,489                                |
| 18 Modernisation Fund               | 2,857                               | 1,908                               | 185                                  |   | (2,198)         | 2,752                                |
| 19 New Road & Street Works Act Fund | 439                                 |                                     |                                      |   |                 | 439                                  |
| 20 PFI Sinking Fund                 | 3,236                               |                                     |                                      |   | (834)           | 2,402                                |
| 21 Prior Year Tax                   | 100                                 |                                     |                                      |   |                 | 100                                  |
| 22 Procurement Initiative           | 110                                 |                                     | 200                                  |   | (60)            | 250                                  |
| 23 PSA Reward                       | 1,850                               |                                     |                                      |   | (737)           | 1,113                                |
| 24 Redundancy                       | 12                                  | 1,000                               | 3,500                                |   | (452)           | 4,060                                |
| 25 Redundant Landfill Sites         | 578                                 |                                     |                                      |   | (24)            | 554                                  |
| 26 Roads Emergency                  | 1,110                               |                                     |                                      |   |                 | 1,110                                |
| 27 Service Development Fund         | 10,265                              |                                     |                                      |   | (66)            | 10,199                               |
| 28 Systems Development Fund         | 1,494                               | 781                                 |                                      |   | (2,247)         | 28                                   |
| 29 Trading Accounts                 | 460                                 |                                     | (12)                                 | (446)                                     |                 | 2                                    |
| 30 Transition Fund                  | 5,462                               | 5,216                               |                                      |   | (9,689)         | 989                                  |
| 31 Waste Management Fund            | 2,726                               |                                     |                                      |   | (362)           | 2,364                                |
|                                     | <b>48,092</b>                       | <b>9,869</b>                        | <b>10,573</b>                        | <b>7,468</b>                              | <b>(22,046)</b> | <b>53,956</b>                        |
| 32 Schools Carry Forward            | 10,910                              |                                     | 11,884                               |   | (10,910)        | 11,884                               |
| 33 Non Schools Carry Forward        | 4,133                               |                                     | 5,861                                |   | (4,133)         | 5,861                                |
|                                     | <b>15,043</b>                       | <b>0</b>                            | <b>17,745</b>                        | <b>0</b>                                  | <b>(15,043)</b> | <b>17,745</b>                        |
| <b>Total</b>                        | <b>63,135</b>                       | <b>9,869</b>                        | <b>28,318</b>                        | <b>7,468</b>                              | <b>(37,089)</b> | <b>71,701</b>                        |

**OTHER NON "CASH BACKED" RESERVES**

|  |              |          |          |          |                |          |
|--|--------------|----------|----------|----------|----------------|----------|
| Landfill Allowance Trading Scheme (LATS) | 1,169        |          |          |          | (1,169)        | 0        |
|  | <b>1,169</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>(1,169)</b> | <b>0</b> |

**REVENUE OUTTURN 2007/08**

**FUNDING REVENUE SPENDING**

|   | £'000   | £'000                 |
|---|---------|-----------------------|
| 1 Total revenue spending                      |         | 414,021               |
| 2 Budget Variation added to balances          |         | 77                    |
| <b>5 Budget level</b>                         |         | <b><u>414,098</u></b> |
| <b>6 Financed by -</b>                        |         |                       |
| 7 Revenue Support Grant                       | 17,673  |                       |
| 8 National Non-domestic Rates redistributed   | 105,307 |                       |
| 9 Council Tax - precepts on District Councils | 291,118 |                       |
| <b>10 Total financing</b>                     |         | <b><u>414,098</u></b> |

**PROVISIONS**

|                                  | Provision<br>B/ Forward | Changes<br>in<br>2007/08 | Provision<br>Remaining<br>31st March<br>2008 | Recommended Action<br>Increase /<br>(Decrease)<br>in provision | Provision<br>for 2008/09 |
|----------------------------------|-------------------------|--------------------------|--|--|--------------------------|
|                                  | £'000                   | £'000                    | £'000  | £'000  | £'000                    |
| 1 Bad & Doubtful debts provision | 820                     | (119)                    | 701  |  | 701                      |
| Insurance Fund                   |                         |                          |  |  |                          |
| 2 Prior to 01/04/98              | 570                     | (22)                     | 548  |  | 548                      |
| 3 From 01/04/98                  | 11,404                  | 2,150                    | 13,554                                       | (4,000)  | 9,554                    |
| 4 Out of date cheques            | 216                     | (48)                     | 168  |  | 168                      |
| 5 ACC Pensions                   | 90                      | 0                        | 90   |  | 90                       |
| 6 Staff transition               | 0                       | 0                        | 0  | 2,291  | 2,291                    |
| 7 Stepped Interest Rate Loans    | 2,948                   | (2,948)                  | 0  |  | 0                        |
| 8 Social Care                    | 368                     | (268)                    | 100  |  | 100                      |
| 9 Property Related               | 599                     | 96                       | 695  |  | 695                      |
| 10 Waste Management              | 783                     | (465)                    | 318  |  | 318                      |
| 11 Devon Cleaning and Catering   | 0                       | 71                       | 71   |  | 71                       |
| 12 Trading Accounts              | 710                     | (332)                    | 378  |  | 378                      |
| 13 Legal liability               | 0                       | 25                       | 25   |  | 25                       |
| <b>Total</b>                     | <b><u>18,508</u></b>    | <b><u>(1,860)</u></b>    | <b><u>16,648</u></b>                         | <b><u>(1,709)</u></b>  | <b><u>14,939</u></b>     |

**OTHER NON "CASHED BACKED" PROVISIONS**

|                                |       |         |   |   |
|--------------------------------|-------|---------|---|---|
| BMW Liability for Usage (LATS) | 6,468 | (6,468) | 0 | 0 |
|--------------------------------|-------|---------|---|---|

**DEBT RESCHEDULING**

|                          | Balance<br>1st April<br>2007 | Contrib'ns      | Spending        | Balance<br>31st March<br>2008 |
|--------------------------|------------------------------|-----------------|-----------------|-------------------------------|
|                          | (1)                          | (2)             | (3)             | (4)                           |
|                          | £'000                        | £'000           | £'000           | £'000                         |
| 1 1997/98 - premium paid | 312                          |                 |                 | 312                           |
| 2 1998/99 - premium paid | 2,698                        |                 |                 | 2,698                         |
| 3 1999/00 - premium paid | 18,144                       |                 |                 | 18,144                        |
| 4 Derecognised premiums  | (21,154)                     |                 |                 | (21,154)                      |
| <b>5 Total</b>           | <b><u>0</u></b>              | <b><u>0</u></b> | <b><u>0</u></b> | <b><u>0</u></b>               |

REVENUE OUTTURN 2007/2008 - RECOMMENDED ACTION

Children and Young People's Services Committee

|   | Final Approved Budget | Unadjusted Spending | Variations (Under)/Over | Carry Fwd or (Claw Back) |             | To / (From) Special Funds |             | Final Outturn |               |
|---|-----------------------|---------------------|-------------------------|--------------------------|-------------|---------------------------|-------------|---------------|---------------|
|   | (1)<br>£'000          | (2)<br>£'000        | (3)<br>£'000            | (4)<br>£'000             |             | (5)<br>£'000              |             | (6)<br>£'000  |               |
|   |                       |                     |                         | Schools                  | Non-Schools | Schools                   | Non-Schools |               |               |
| Dedicated Schools Grant Related Expenditure |                       |                     |                         |                          |             |                           |             |               |               |
| <b>Schools Budget</b>                       |                       |                     |                         |                          |             |                           |             |               |               |
| Nursery                                     | 576                   | 541                 | (35)                    | 35                       |             |                           |             | 576           |               |
| Primary                                     | 169,819               | 163,410             | (6,409)                 | 6,409                    |             |                           |             | 169,819       |               |
| Secondary                                   | 176,914               | 171,585             | (5,329)                 | 5,329                    |             |                           |             | 176,914       |               |
| Special                                     | 13,765                | 13,654              | (111)                   | 111                      |             |                           |             | 13,765        |               |
| Other DSG Related Expenditure               | 32,292                | 32,833              | 541                     |                          |             |                           |             |               | 32,833        |
| sub total DSG                               | 393,366               | 382,023             | (11,343)                | 11,884                   |             |                           |             | 361,074       | 32,833        |
| Dedicated Schools Grant                     | (354,950)             | (355,289)           | (339)                   |                          |             |                           |             | (322,658)     | (32,631)      |
| Learning and Skills Council                 | (27,506)              | (27,506)            |                         |                          |             |                           |             | (27,506)      |               |
|   | (382,456)             | (382,795)           | (339)                   |                          |             |                           |             | (350,164)     | (32,631)      |
| <b>Total DSG</b>                            | <b>10,910</b>         | <b>(772)</b>        | <b>(11,682)</b>         | <b>11,884</b>            |             |                           |             | <b>10,910</b> | <b>202</b>    |
| <b>CYPS Directorate</b>                     |                       |                     |                         |                          |             |                           |             |               |               |
| Policy and Strategy                         | 9,637                 | 8,859               | (778)                   |                          | 140         |                           |             |               | 8,999         |
| Access                                      | 28,098                | 30,115              | 2,017                   |                          |             |                           |             |               | 30,115        |
| Grants and Special Education                | 6,253                 | 5,646               | (607)                   |                          | 392         |                           | 185         |               | 6,223         |
| sub total                                   | 43,988                | 44,620              | 632                     |                          | 532         |                           | 185         |               | 45,337        |
| <b>Youth, YOTS &amp; Community</b>          | <b>5,949</b>          | <b>5,670</b>        | <b>(279)</b>            |                          | <b>31</b>   |                           |             |               | <b>5,701</b>  |
| <b>Children and Families</b>                |                       |                     |                         |                          |             |                           |             |               |               |
| Management and Support/Care                 |                       |                     |                         |                          |             |                           |             |               |               |
| Management                                  | 16,932                | 16,745              | (187)                   |                          |             |                           |             |               | 16,745        |
| Children in Need                            | 4,708                 | 4,397               | (311)                   |                          |             |                           |             |               | 4,397         |
| Looked After Children                       | 10,148                | 12,573              | 2,425                   |                          |             |                           |             |               | 12,573        |
| Resources                                   | 3,114                 | 2,923               | (191)                   |                          |             |                           |             |               | 2,923         |
| Other                                       | 6,156                 | 6,131               | (25)                    |                          |             |                           |             |               | 6,131         |
| <b>COMMITTEE SPENDING</b>                   | <b>101,905</b>        | <b>92,287</b>       | <b>(9,618)</b>          | <b>11,884</b>            | <b>563</b>  |                           | <b>185</b>  | <b>10,910</b> | <b>94,009</b> |
| Statutory Carry Forwards                    |                       |                     |                         | 11,884                   |             |                           |             |               |               |
| Overspending after statutory carry forwards |                       |                     |                         | 2,266                    |             |                           |             |               |               |

**SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND**

DSG Related Expenditure

|  |          |       |
|--|----------|-------|
| Schools carry forward on Delegated Budget                          | (11,884) |       |
| Increase DSG Grant received due to increased pupil numbers         |          | (339) |
| Management action to control Independent Special School placements |          | (325) |
| School Meals - reduced free school meal take up                    |          | (337) |
| Shortfall on budget brought forward from 2006/7                    |          | 1,203 |

CYPS Budget

|   |  |       |
|---|--|-------|
| <u>Policy and Strategy</u>  |  |       |
| Management Savings on delaying investment plans                           |  | (408) |
| Management savings by freezing vacant posts and non essential expenditure |  | (370) |

Access

|   |  |     |
|---|--|-----|
| Exeter PFI Contract costs   |  | 949 |
| Home to School transport - growth in non-mainstream networks including special needs children |  | 408 |
| CYPS Property - unexpected delays in accomodation strategies                                  |  | 201 |
| Other in year inflation pressures   |  | 459 |

| <b>VARIATIONS (CONTINUED)</b>   | £'000                         | £'000                        |
|---|-------------------------------|------------------------------|
| <u>Grants and Special Education</u>   |                               |                              |
| Underspend on centrally managed standards funds (LEA contribution to 17 month financial year) |                               | (392)                        |
| Devon Education Service surplus, offset by greater commissioning of services                  |                               | (142)                        |
| Greater training income and in year staff savings   |                               | (73)                         |
| <u>Youth and Community</u>  |                               |                              |
| Underspend on centrally managed youth budgets   |                               | (248)                        |
| Touth Offending Teams - Partnership Projects  |                               | (31)                         |
| <u>Children and Families</u>  |                               |                              |
| social  |                               | (187)                        |
| Children in Need  |                               |                              |
| Mainstream - Section 17 arrangements and additional contributions                             |                               | (311)                        |
| Looked After Children   |                               |                              |
| Mainstream - Growth in external fostering   |                               | 677                          |
| Special Needs   |                               | 20                           |
| Increased residential placements offset by the Migration Project                              |                               | 1,728                        |
| Resources   |                               |                              |
| Business Resources - staffing savings   |                               | (191)                        |
| Other   |                               |                              |
| Increase in adoption costs offset by delaying investments                                     |                               | (25)                         |
|   | <b>TOTAL</b>                  | <b><u><u>(9,618)</u></u></b> |
| <br><b><u>CARRY FORWARD PROPOSAL (as col. 4 opposite)</u></b>                                 |                               |                              |
| Statutory Carry Forward for Schools   | (11,884)                      |                              |
| Underspend on Standards Funds (LEA contribution, schools and centrally managed)               |                               | (392)                        |
| Building Capacity to 'Narrow the Gap'   |                               | (50)                         |
| the 'Way We Work' staffing planning and resources   |                               | (90)                         |
| Youth Offending Teams (YOTS) - match funded partnership projects                              |                               | (31)                         |
| Total Carry Forwards  | <b><u><u>(11,884)</u></u></b> | <b><u><u>(563)</u></u></b>   |
| <br>CONTRIBUTION TO / (FROM) SPECIAL FUNDS  |                               |                              |
| Devon Education Services  |                               | (185)                        |
|   |                               | <b><u><u>(185)</u></u></b>   |
| <br><b><u>CONTRIBUTION TO / (FROM) WORKING BALANCES</u></b>                                   |                               |                              |
|   |                               | <b><u><u>(3,014)</u></u></b> |

**REVENUE OUTTURN 2007/08 - RECOMMENDED ACTION**

**ENVIRONMENT, ECONOMY AND CULTURE DIRECTORATE**

|                                    | Final<br>Adjusted<br>Budget | Unadjusted<br>Spending | Variations<br>(Under) /<br>Over | Recommended Action<br>Carry Fwd<br>(Clawback)<br>in 2008/09 | To (From)<br>Special<br>Funds | Final<br>Outturn |
|------------------------------------|-----------------------------|------------------------|---------------------------------|---|-------------------------------|------------------|
|                                    | (1)<br>£'000                | (2)<br>£'000           | (3)<br>£'000                    | (4)<br>£'000  | (5)<br>£'000                  | (6)<br>£'000     |
| Highway Management                 | 44,341                      | 44,427                 | 86                              |   |                               | <b>44,427</b>    |
| Area Offices                       | 6,045                       | 6,022                  | (23)                            |   |                               | <b>6,022</b>     |
| On-Street Parking                  | 684                         | (513)                  | (1,197)                         | 1,197   |                               | <b>684</b>       |
| Spatial Planning                   | 1,457                       | 1,209                  | (248)                           |   |                               | <b>1,209</b>     |
| Development Management             | 1,424                       | 1,411                  | (13)                            |   |                               | <b>1,411</b>     |
| Public Transport and EATS          | 4,258                       | 4,297                  | 39                              |   |                               | <b>4,297</b>     |
| Waste Disposal and Recycling       | 25,359                      | 26,081                 | 722                             | 16  |                               | <b>26,097</b>    |
| Business Management                | 199                         | 148                    | (51)                            |   |                               | <b>148</b>       |
| Economy                            | 1,802                       | 1,796                  | (6)                             |   |                               | <b>1,796</b>     |
| Culture                            | 1,713                       | 1,643                  | (70)                            | 72  |                               | <b>1,715</b>     |
| Libraries                          | 9,118                       | 9,049                  | (69)                            | 69  |                               | <b>9,118</b>     |
| Countryside & Heritage Services    | 2,022                       | 1,928                  | (94)                            | 46  |                               | <b>1,974</b>     |
| <b>Directorate Revenue Outturn</b> | <b>98,422</b>               | <b>97,498</b>          | <b>(924)</b>                    | <b>1,400</b>  | <b>0</b>                      | <b>98,898</b>    |

**VARIATIONS BETWEEN BUDGET AND SPEND**

£'000

Highway Management

Additional maintenance spending, partly offset by savings on street lighting and area offices

86

Area Offices

Savings on staffing, transport and premises costs plus additional income from temporary road closures

(23)

On-Street Parking

Surplus accrued for future investments including Civil Parking Enforcement and supporting Park and Ride

(1,197)

Spatial Planning

Savings on staffing and other costs

(248)

Development Management

Underspend due to vacancies offset mainly by decreases in fee income

(13)

Public Transport and Engineering and Transport Services (EATS)

Overspend due to higher than expected bus subsidies offset partly by savings within Engineering Design Group

39

Waste Disposal Contracts

Overspend due to increase in tonnages and unplanned support in respect of the Waste Electrical and Electronic Equipment legislation

722

Management and Support

Underspend due to delays in special project expenditure

(51)

Economy

Overspend on Economy Service core budget due to provision for legal case pending, offset by surplus on project activities

(6)

Culture

Underspend due to delays in the purchase of historical documents and arts investment activities

(70)

Libraries

Underspend largely due to availability of book stock and vacancy savings

(69)

Countryside & Heritage Services

Savings on staffing costs and deferred spending on Environmental Management Projects.

(94)

**(924)**

**CARRY FORWARD PROPOSALS (as column 4 above)**

On Street Parking (Statutory ringfenced account)

1,197

Countryside and Heritage:

Environmental Management Projects (DCC commitments to partnership agreements)

46

Waste Disposal:

Waste Education Project

16

Culture -

Purchase of the historically important "Addington Papers"

55

Investment in the Arts

17

Library and Information Services - investment in book stock

69

**1,400**

**CONTRIBUTION TO / (FROM) WORKING BALANCES**

**(476)**

**REVENUE OUTTURN 2007/08 - RECOMMENDED ACTION**

**ADULT AND COMMUNITY SERVICES DIRECTORATE**

|  | Final<br>Approved<br>Budget | Unadjusted<br>Spend | Variations<br>(Under) /<br>Over | Carry Fwd<br>(Clawback)<br>in 2008/09 | To (From)<br>Special<br>Funds | Final<br>Outturn |
|--|-----------------------------|---------------------|---------------------------------|---------------------------------------|-------------------------------|------------------|
|  | (1)<br>£'000                | (2)<br>£'000        | (3)<br>£'000                    | (4)<br>£'000                          | (5)<br>£'000                  | (6)<br>£'000     |
| Older People and Disability Services   | 88,773                      | 89,298              | 525                             | 1,030                                 |                               | <b>90,328</b>    |
| Mental Health Services   | 6,912                       | 7,098               | 186                             |                                       |                               | <b>7,098</b>     |
| Learning Disability Services   | 33,834                      | 32,463              | (1,371)                         |                                       |                               | <b>32,463</b>    |
| SACS (including Supporting People & Adult and Community Learning)  | 15,093                      | 14,775              | (318)                           | 344                                   |                               | <b>15,119</b>    |
| <b>Total before Extra Care Housing</b>   | <b>144,612</b>              | <b>143,634</b>      | <b>(978)</b>                    | <b>1,374</b>                          | <b>0</b>                      | <b>145,008</b>   |
| Extra Care Housing   | 2,500                       | 0                   | (2,500)                         |                                       | 2,500                         | <b>2,500</b>     |
| <b>NET BUDGET</b>  | <b>147,112</b>              | <b>143,634</b>      | <b>(3,478)</b>                  | <b>1,374</b>                          | <b>2,500</b>                  | <b>147,508</b>   |
| <b>SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND</b>   |                             |                     |                                 |                                       |                               | £'000            |
| <b>Older People &amp; Disability Services</b>  |                             |                     |                                 |                                       |                               | 525              |
| <p>The overspend in this service constitutes 0.59% of its net budget, reflecting great efforts to contain spending with minimal impact on service delivery. During the year management action was taken to ensure the consistent and correct application of eligibility criteria throughout Devon and this together with a transfer of approx. £1.0m of costs (for 6 months) to the NHS under Continuing Health Care guidance plus savings in respect of other costs funded by Devon PCT which would have previously fallen on the Authority has enabled the overspend to be reduced to the level shown from an overspend forecast at £3.4m at month 6.</p>  |                             |                     |                                 |                                       |                               |                  |
| <b>Mental Health Services</b>  |                             |                     |                                 |                                       |                               | 186              |
| <p>DCC is continuing to work closely with the Devon Partnership Trust to increase the efficiency of both organisations by reducing running costs without harming services. Significant management action during the year was required in order to balance the budget, and despite great efforts to contain spending, an overspend is reported. The management action required grew in the course of the year because of shortfalls in income, especially in relation to placements under Section 117 of the Mental Health Act where charges cannot be levied.</p>  |                             |                     |                                 |                                       |                               |                  |
| <b>Learning Disability Services</b>  |                             |                     |                                 |                                       |                               | (1,371)          |
| <p>In line with national trends, the spending pressures within this service remain high. These represent new clients, including children reaching the age of 18, and other people whose care arrangements have broken down or whose needs have increased. As a result, there was considerable investment in LD services in the 2007/08 budget. A financial recovery plan introduced in 2006/07 continues to succeed in damping these pressures and it is pleasing to note that this, along with the impact of Devon PCT funding clients under NHS Continuing Health Care guidance, whose costs would have previously fallen on the Authority, has meant that although costs have risen by £1.7m year on year after inflation, spending has been successfully contained so that the outturn result is well within budget.</p> |                             |                     |                                 |                                       |                               |                  |
| <b>Strategic &amp; Corporate Services (SACS)/ Supporting People Services / Adult and Community Learning</b>  |                             |                     |                                 |                                       |                               | (318)            |
| <p>Savings on staffing costs due to delayed recruitment together with lower than budgeted costs in printing, insurance and IT charges. There are small variations in Adult and Community Learning and in Supporting People administration, where a £44k carry forward is requested to further develop the service.</p>   |                             |                     |                                 |                                       |                               |                  |
| <b>Extra Care Housing</b>  |                             |                     |                                 |                                       |                               | (2,500)          |
| <p>This represents money set aside for capital housing schemes associated with Extra Care Housing. This will be placed in a reserve earmarked for Extra Care Housing. It is intended to deploy this in the process of externalising residential homes for older people.</p>  |                             |                     |                                 |                                       |                               |                  |
|  |                             |                     |                                 |                                       |                               | <u>(3,478)</u>   |
| <b>CARRY FORWARD PROPOSALS</b>   |                             |                     |                                 |                                       |                               |                  |
| <b>Older People &amp; Disability Services</b>  |                             |                     |                                 |                                       |                               |                  |
| Telecare Project - Funding of unspent grant required for continuation of project   |                             |                     |                                 |                                       |                               | 730              |
| Direct Payments Team - Investment to Save in respect of reclaiming payments and reducing costs.  |                             |                     |                                 |                                       |                               | 100              |
| Electronic Monitoring of Community Services - Investment to save   |                             |                     |                                 |                                       |                               | 200              |
| <b>Strategic &amp; Corporate Services (SACS)/ Supporting People Services / Adult and Community Learning</b>  |                             |                     |                                 |                                       |                               |                  |
| Supporting People Admin Grant - The cost of meeting the new challenges of remodelling and single assessment  |                             |                     |                                 |                                       |                               | 44               |
| Short term measures in respect of performance improvement following successful modelling during 07/08  |                             |                     |                                 |                                       |                               | 200              |
| Joint Agency modernisation and mobile working (modernisation of property and working practices)  |                             |                     |                                 |                                       |                               | 100              |
|  |                             |                     |                                 |                                       |                               | <u>1,374</u>     |
| <b>CONTRIBUTION TO / (FROM) SPECIAL FUNDS</b>  |                             |                     |                                 |                                       |                               |                  |
| Extra Care Housing (see above)   |                             |                     |                                 |                                       |                               | <u>2,500</u>     |
| <b>CONTRIBUTION TO / (FROM) WORKING BALANCES</b>   |                             |                     |                                 |                                       |                               | <u>(396)</u>     |
| <b>FURTHER MANAGEMENT ACTION</b>   |                             |                     |                                 |                                       |                               |                  |
| Continued rigorous control of spending will be needed in all areas through integrated operational management arrangements.   |                             |                     |                                 |                                       |                               |                  |

REVENUE OUTTURN 2007/8 - RECOMMENDED ACTION

CHIEF EXECUTIVE'S, PERSONNEL & PERFORMANCE AND FINANCE, IT & TRADING DIRECTORATE'S

|  | Final<br>Approved<br>Budget | Unadjusted<br>Spending | Variations<br>(Under)/<br>Over | Recommended Action<br>Carry Fwd<br>(Clawback)<br>in 2008/9 | To (From)<br>Special<br>Funds | Final<br>Outturn |
|--|-----------------------------|------------------------|--------------------------------|--|-------------------------------|------------------|
|  | (1)<br>£'000                | (2)<br>£'000           | (3)<br>£'000                   | (4)<br>£'000   | (5)<br>£'000                  | (6)<br>£'000     |
| Chief Executive's Directorate                        |                             |                        |                                |  |                               |                  |
| Chief Executive                                      | 4,401                       | 3,883                  | (518)                          | 356  | 0                             | 4,239            |
| Legal Services                                       | 0                           | (28)                   | (28)                           | 0  | 0                             | (28)             |
| Business Transformation Unit & Facilities Management | 1,540                       | 1,265                  | (275)                          | 165  | 0                             | 1,430            |
| County Farms   | (220)                       | (305)                  | (85)                           | 85   | 0                             | (220)            |
| Industrial Estates                                   | 69                          | 68                     | (1)                            | 36   | 0                             | 104              |
| Community Safety                                     | 4,314                       | 4,411                  | 97                             | 110  | 0                             | 4,521            |
| Other Services                                       | 3,118                       | 2,792                  | (326)                          | 342  | 0                             | 3,134            |
|  | 13,222                      | 12,086                 | (1,136)                        | 1,094  | 0                             | 13,180           |
| Building Maintenance                                 | 1,212                       | 1,064                  | (148)                          | 148  | 0                             | 1,212            |
| Personnel & Performance Directorate                  | 4,080                       | 3,990                  | (90)                           | 140  | 0                             | 4,130            |
| Finance, IT & Trading Directorate                    |                             |                        |                                |  |                               |                  |
| Finance  | 1,969                       | 1,603                  | (366)                          | 181  | 0                             | 1,784            |
| ICT / E-gov  | 7,190                       | 6,320                  | (870)                          | 871  | 0                             | 7,191            |
| Customer Contact Centre                              | 1,755                       | 1,641                  | (114)                          | 90   | 0                             | 1,731            |
| Devon Procurement                                    | 826                         | 826                    | 0                              | 0  | 0                             | 826              |
| Other Services                                       | 1,208                       | 1,136                  | (72)                           | 0  | 0                             | 1,136            |
|  | 12,948                      | 11,526                 | (1,422)                        | 1,142  | 0                             | 12,668           |
|  | 31,462                      | 28,666                 | (2,796)                        | 2,524  | 0                             | 31,190           |

**SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND**

£'000

|   |         |
|---|---------|
| Chief Executive - savings re-staffing (vacancies), delayed information management and other commissioning projects                              | (518)   |
| Legal Services - additional income from fees & charges  | (28)    |
| Business Transformation Unit / FM - savings in staffing (vacancies), energy and delayed corporate projects, partly offset by reduced fee income | (275)   |
| County Farms - delayed projects pending building surveys  | (85)    |
| Community Safety - Trading Standards : net efficiency savings in respect of staffing  | (67)    |
| - Increased net costs in respect of staffing (Registrars), partly offset by savings in fuel emergency and other projects (Emergency Planning)   | 27      |
| - Increased mortuary, post mortem and analysts fees (Coroners)  | 137     |
| Other Services (Chief Executive's) : delayed County Committee commissioning projects and delays in match-funded partnership projects            | (326)   |
| Building Maintenance - underspend on corporate surveys, energy & sustainability and associated fees   | (148)   |
| P&P - increased income (temps & advertising) and delayed corporate projects, partly offset by one-off staffing costs                            | (90)    |
| Finance - savings in staffing (vacancies), delays in systems development projects and increased income  | (366)   |
| Information Systems / Strategy - delays in infrastructure development, hardware replacement and corporate projects                              | (870)   |
| Customer Contact Centre - net savings in staffing (vacancies)   | (114)   |
| Other Services (F&ITT);   |         |
| - Savings in Audit fees, bank charges and Director of Public Health   | (72)    |
| Other net savings   | (1)     |
|   | (2,796) |

**CARRY FORWARD PROPOSALS**

£'000

|  |       |
|--|-------|
| Chief Executive's - delayed commissioning projects (including Devonwide Volunteer Programme), information management and legal software  | 356   |
| BTU / FM - replacement of asset register, delayed asset management reviews and other delayed projects  | 165   |
| County Farms - delayed maintenance projects  | 85    |
| Industrial Estates - slippage in Clovelly Road Estate project  | 36    |
| Community Safety - energy performance certificates, Gower review and branding (Trading Standards)  | 110   |
| Other Services - delayed County Committee commissioning and other partnership projects   | 327   |
| Partnerships - delayed contribution to partnership projects (match funded)   | 15    |
| R&M - backlog of maintenance works   | 148   |
| P&P - delayed projects and funding for other corporate initiatives including Managing Diversity, Performance Improvement and Learning Development programmes   | 140   |
| Finance - delayed projects including 'view & vary' & electronic home care monitoring (ACS) and funding for new debt recovery system  | 181   |
| ICT - funding for DCC's ICT Strategy (2006-2009) in line with the 4 main themes: Governance, Organisation, Common Solutions and Technological Innovation. Within these themes are a number of projects which are at various stages of implementation, a significant carry forward is necessary to ensure delivery. | 871   |
| Customer Contact Centre - one-off costs in respect of training & development and graduate placements   | 90    |
|  | 2,524 |

**CONTRIBUTION TO/(FROM) SPECIAL FUNDS**

|      |   |
|------|---|
| None | 0 |
|      | 0 |

**CONTRIBUTION TO WORKING BALANCES**

272

REVENUE OUTTURN 2007/8 - RECOMMENDED ACTION

CHIEF EXECUTIVE'S AND RESOURCES - TRADING ACCOUNTS

|                      |        | Gross       | (Profit)/  | Total       | Specific Reserves |          | Recommended                            |
|----------------------|--------|-------------|------------|-------------|-------------------|----------|--|
|                      |        | Turnover    | Loss in    | Accumulated | Represented by :  |          |  |
|                      |        | in 2007/8   | 2007/8     | Balances    | Assets            | Cash     | to/(from)                              |
|                      |        | (1)         | (2)        | at 31/3/08  | (4)               | (5)      | Special                                |
|                      |        | £'000       | £'000      | £'000       | £'000             | £'000    | Funds                                  |
|                      |        |             |            |             |                   |          | (6)                                    |
|                      |        |             |            |             |                   |          | £'000                                  |
| Supply Zone          | 1., 2. | 6,341       | 249        | 301         | 0                 | 0        | (301)                                  |
| Devon Design & Print |        | 1,242       | 83         | 19          | 0                 | 0        | (19)                                   |
| Devon Books          | 3.     | 0           | 0          | (2)         | 0                 | 2        | 0                                      |
|                      |        | <u>7583</u> | <u>332</u> | <u>318</u>  | <u>0</u>          | <u>2</u> | <u>(320)</u>                           |
| RECOMMENDATIONS      |        |             |            |             |                   |          | <u>(320)</u>                           |
|                      |        |             |            |             |                   |          | Contribution to / (from) Special Funds |

1 Supply Zone - includes gross turnover on direct delivery.  
2 Supply Zone - includes bad debt provisions of £292k in respect of previous years trading.  
3 Devon Books - accumulated balance includes a loan of £40k to Devon Books to finance future titles.

| Reserve                                       | Purpose  | Approval to Use of Reserve | Management & Control        | Timetable for Review | Proposed Balance as at 31.3.08 £000 | Forecast Income 2008/9 £000 | Forecast Expenditure 2008/9 £000 | Proposed Balance as at 31.3.09 £000 |
|---|--|----------------------------|-----------------------------|----------------------|-------------------------------------|-----------------------------|----------------------------------|-------------------------------------|
| <b>GENERAL RESERVE (Working Balances)</b>     | Contingency to cushion the impact of unexpected events or emergencies. These reserves provide working balances to help cushion the impact of uneven cash flows and avoid unnecessary borrowing | County Council             | N/A                         | Annual               | <b>14,196</b>                       |                             |                                  | <b>14,196</b>                       |
| <b>EARMARKED RESERVES</b>                     |  |                            |                             |                      |                                     |                             |                                  |                                     |
| <b>Specific Contingency Reserves</b>          |  |                            |                             |                      |                                     |                             |                                  |                                     |
| Roads Emergency                               | Reserve to cover additional expenditure on roads maintenance arising from extreme weather conditions   | The Executive              | Exec Member                 | Bi-annual            | 1,110                               |                             |                                  | 1,110                               |
| Reinstatement of Existing Landfill Sites      | Reserve to cover unexpected upward movement in the cost of the 10 year plan for redundant landfill site restoration  | The Executive              | Exec Member                 | Bi-annual            | 554                                 |                             | 368                              | 186                                 |
| Redundancy Fund                               | Reserve to cover redundancy costs of restructuring   | The Executive              | D of FIT                    | Bi-annual            | 4,060                               | 1,000                       | 1,094                            | 3,966                               |
| Insurance                                     | Reserve to cover insurance claims in excess of the levels experienced and provided for   | The Executive              | D of FIT                    | Bi-annual            | 4,000                               |                             |                                  | 4,000                               |
| Prior Year Tax                                | Contingency fund to meet possible liabilities with regard to tax inspections and review  | The Executive              | D of FIT                    | Bi-annual            | 100                                 |                             |                                  | 100                                 |
| Inspection / Implementation                   | Provision for unexpected impacts of CPA and other inspections  | The Executive              | Exec Member                 | Bi-annual            | 78                                  |                             |                                  | 78                                  |
| New Roads and Street Works Act                | Development of policies for promotion and encouragement of safe integrated efficient and economic transport facilities.  | The Executive              | County Environment Director | Bi-annual            | 439                                 |                             |                                  | 439                                 |
| Blighted Properties                           | Reserve to meet the cost of blighted properties  | The Executive              | County Environment Director | Bi-annual            | 200                                 |                             |                                  | 200                                 |
| Waste Management Fund                         | To make provision for funding new facilities to meet EU Landfill Directives.   | The Executive              | County Environment Director | Bi-annual            | 2,364                               |                             | 550                              | 1,814                               |
| Sub Total                                     |  |                            |                             |                      | 12,905                              | 1,000                       | 2,012                            | 11,893                              |
| <b>Reserves Held for Planned Developments</b> |  |                            |                             |                      |                                     |                             |                                  |                                     |
| Local Initiatives                             | Reserve held to fund local initiatives and community development   | The Executive              | Exec Member                 | Bi-annual            | 300                                 | 114                         | 124                              | 290                                 |
| European Funding / Matched Funding            | Reserve to provide matched funding for Externally Funded projects.   | The Executive              | Exec Member                 | Bi-annual            | 423                                 | 850                         | 350                              | 923                                 |
| Systems Development                           | Reserve held to fund the development of corporate IT systems for example the People Management Information system  | The Executive              | D of FIT                    | Bi-annual            | 28                                  | 781                         | 776                              | 33                                  |
| Service Development                           | Reserve held to promote service developments   | The Executive              | D of FIT                    | Bi-annual            | 10,199                              |                             | 3,233                            | 6,966                               |
| Procurement Initiative                        | Reserve held to fund corporate initiatives to improve procurement procedures across the authority  | The Executive              | D of FIT                    | Bi-annual            | 250                                 |                             |                                  | 250                                 |
| Emergency Planning                            | Reserve held to meet one-off cost in respect of Emergency Planning   | The Executive              | D of FIT                    | Bi-annual            | 102                                 |                             |                                  | 102                                 |
| Energy Conservation                           | Reserve established to fund energy conservation pilot schemes to manage carbon emission  | The Executive              | D of FIT                    | Bi-annual            | 200                                 |                             |                                  | 200                                 |
| Energy & Water Efficiency                     | Reserve held to collect savings from energy and water efficiency projects and use to fund further investment in efficiency projects  | The Executive              | D of FIT                    | Bi-annual            | 55                                  | 2                           | 10                               | 47                                  |
| Customer Access Strategy Fund                 | Reserve to fund development that will improve access to County Council Services for the people of Devon.   | The Executive              | D of FIT                    | Bi-annual            | 658                                 | 500                         | 150                              | 1,008                               |
| Transition Fund                               | To meet the transitional costs of modernisation  | The Executive              | The Executive               | Bi-annual            | 989                                 |                             |                                  | 989                                 |
| Financing Fund                                | Fund held to support the capital strategy  | The Executive              | The Executive               | Bi-annual            | 745                                 |                             | 370                              | 375                                 |
| Modernisation Fund                            | Fund for modernisation of County Council Services  | The Executive              | D of FIT                    | Bi-annual            | 2,752                               | 1,092                       | 2,252                            | 1,592                               |
| Affordable Housing                            | Fund held to finance projects jointly agreed with Districts.   | The Executive              | D of FIT                    | Bi-annual            | 1,653                               |                             | 1,440                            | 213                                 |
| Extra Care Housing                            | To fund housing for vulnerable adults  | The Executive              | D of FIT                    | Bi-annual            | 6,646                               | 2,500                       |                                  | 9,146                               |
| PSA 1 Reward Grant                            | To pump prime and provide one off support for new development.   | The Executive              | D of FIT                    | Bi-annual            | 1,113                               |                             | 1,113                            | 0                                   |

| Reserve  | Purpose   | Approval to Use of Reserve | Management & Control                           | Timetable for Review | Proposed Balance as at 31.3.08 £000 | Forecast Income 2008/9 £000 | Forecast Expenditure 2008/9 £000 | Proposed Balance as at 31.3.09 £000 |
|--|---|----------------------------|--|----------------------|-------------------------------------|-----------------------------|----------------------------------|-------------------------------------|
| PSA 2 Reward Grant                               | To pump prime and provide one off support for new development.  | The Executive              | D of FIT                                       | Bi-annual            | 5,489                               |                             | 2,745                            | 2,744                               |
| Development Fund                                 | To provide financing for infrastructure renewal in County Council services.                                       | The Executive              | D of FIT                                       | Bi-annual            | 2,150                               |                             |                                  | 2,150                               |
| Local Authority Business Grant                   | To Fund Economic Development Projects as part of the LAA  | The Executive              | D of FIT                                       | Bi-annual            | 3,732                               |                             | 1,180                            | 2,552                               |
| PFI Sinking Fund                                 | To manage the payments and income relating to the Exeter School's PFI Scheme                                      | The Executive              | D of FIT                                       | Bi-annual            | 2,402                               | 53                          | 1,055                            | 1,400                               |
| Invest to save (CYPS)                            |   | The Executive              | D of FIT                                       | Bi-annual            | 0                                   | 2,000                       | 2,000                            | 0                                   |
| Sub Total  |   |                            |  |                      | 39,886                              | 7,892                       | 16,798                           | 30,980                              |
| <b>Reserves of Operational and Trading Units</b> |   |                            |  |                      |                                     |                             |                                  |                                     |
| Devon Cleaning and Catering                      | Surplus of recovered costs retained to fund activities in future financial years                                  | The Executive              | Director of Children & Young People's Services |                      | 559                                 |                             |                                  | 559                                 |
| Trading Accounts                                 | Surpluses/losses arising from the activities of Trading Accounts to be carried forward to future financial years  | D of FIT                   | D of FIT                                       | Bi-annual            | 2                                   |                             |                                  | 2                                   |
| Building Maintenance                             | Fund held in respect of schools building maintenance.   | D of FIT                   | D of FIT                                       | Bi-annual            | 604                                 |                             | 17                               | 587                                 |
| Sub Total  |   |                            |  |                      | 1,165                               | 0                           | 17                               | 1,148                               |
| <b>TOTAL EARMARKED RESERVES</b>                  |   |                            |  |                      | <b>53,956</b>                       | <b>8,892</b>                | <b>18,827</b>                    | <b>44,021</b>                       |
| <b>BUDGET MANAGEMENT RESERVES</b>                |   |                            |  |                      |                                     |                             |                                  |                                     |
| Directorate Budget Carry Forwards                | Reserve that permits the carry forward of approved end of year under/overspending to the following financial year | The Executive              | The Executive                                  | Annual               | 5,861                               |                             | 5,861                            |                                     |
| School Balances                                  | Net unspent balance of budgets delegated to schools   | N/A                        | N/A  | N/A                  | 11,884                              |                             |                                  |                                     |

**Non Cashed Backed Reserves Held**

|                                   |   |     |     |        |   |  |  |   |
|-----------------------------------|---|-----|-----|--------|---|--|--|---|
| Landfill Allowance Trading Scheme | Reserve required for accounting purposes not "cash backed". | N/A | N/A | Annual | 0 |  |  | 0 |
|-----------------------------------|---|-----|-----|--------|---|--|--|---|

**ALLOWANCES PAID TO DEVON COUNTY COUNCILLORS UNDER THE MEMBERS ALLOWANCES SCHEME  
FOR THE YEAR ENDING 31ST MARCH 2008**

Note: Basic & Special Responsibility Allowances and some elements of travelling & subsistence allowances are subject to taxation

| Surname    | Inits | Basic Allowance | Special Responsibility Allowance | Mileage and Subsistence Allowances |
|------------|-------|-----------------|----------------------------------|------------------------------------|
|            |       | £               | £                                | £                                  |
| BARKER     | SD    | 10659.96        | 10659.96                         | 0.00                               |
| BARTON     | HR    | 10659.96        | 7995.00                          | 3809.92                            |
| BERMAN     | BH    | 10659.96        | 15990.00                         | 568.19                             |
| BERRY      | EJ    | 10659.96        | 0.00                             | 464.57                             |
| BOOTE      | RW    | 10659.96        | 0.00                             | 0.00                               |
| BRAY       | CJ    | 10659.96        | 7550.84                          | 1043.43                            |
| BRAZIL     | JC    | 10659.96        | 7995.00                          | 2800.44                            |
| BROCK      | PJ    | 10659.96        | 0.00                             | 0.00                               |
| BROOK      | FJ    | 10659.96        | 0.00                             | 423.17                             |
| BUTTON     | DG    | 10659.96        | 2664.96                          | 411.67                             |
| CANN       | RS    | 10659.96        | 0.00                             | 1559.90                            |
| CHANNON    | C     | 10659.96        | 11548.30                         | 1225.05                            |
| CLATWORTHY | J     | 10659.96        | 0.00                             | 1043.74                            |
| CONNELLY   | R     | 10659.96        | 5330.04                          | 1578.99                            |
| COOK       | PL    | 10659.96        | 7995.00                          | 248.26                             |
| COX        | DN    | 10659.96        | 5330.04                          | 253.12                             |
| CROAD      | RF    | 10659.96        | 0.00                             | 1245.52                            |
| DATE       | G     | 10659.96        | 2664.96                          | 759.79                             |
| DAVIS      | AV    | 10659.96        | 0.00                             | 1095.54                            |
| DAY        | SJ    | 10659.96        | 0.00                             | 1786.83                            |
| FOGGIN     | OM    | 10659.96        | 0.00                             | 0.00                               |
| FORD       | LS    | 10659.96        | 2664.96                          | 745.20                             |
| FOWLER     | GE    | 10659.96        | 0.00                             | 1613.59                            |
| FRY        | A     | 10659.96        | 4885.86                          | 1063.79                            |
| GILES      | AR    | 9594.00         | 0.00                             | 0.00                               |
| GREENSLADE | BC    | 10659.96        | 26649.96                         | 7861.40                            |
| HANNAFORD  | R     | 10659.96        | 2664.96                          | 0.00                               |
| HANNON     | DPO   | 10659.96        | 14657.50                         | 1976.77                            |
| HART       | TJ    | 10659.96        | 15101.66                         | 4502.82                            |
| HAWKINS    | JD    | 10659.96        | 0.00                             | 427.20                             |
| HAYWOOD    | CC    | 10659.96        | 5139.16                          | 1929.72                            |
| HOBDEN     | SM    | 10659.96        | 15990.00                         | 0.00                               |
| HOOK       | GN    | 10659.96        | 5330.04                          | 817.91                             |
| HOSKING    | A     | 10659.96        | 2664.96                          | 1637.10                            |
| HUGHES     | BCJ   | 10659.96        | 0.00                             | 0.00                               |
| HUGHES     | S     | 10659.96        | 10659.96                         | 1336.33                            |
| HULL       | DRH   | 10659.96        | 0.00                             | 750.13                             |
| JENKINS    | JA    | 10659.96        | 888.34                           | 0.00                               |
| LEADBETTER | AR    | 10659.96        | 0.00                             | 0.00                               |
| LEE        | MR    | 10659.96        | 0.00                             | 1288.80                            |
| MARSH      | C     | 10659.96        | 0.00                             | 569.84                             |
| MCINNES    | JR    | 10659.96        | 0.00                             | 921.96                             |
| MORGAN     | SA    | 10659.96        | 7995.00                          | 176.00                             |
| MUMFORD    | W     | 10659.96        | 0.00                             | 0.00                               |
| NEWCOMBE   | W     | 10659.96        | 4441.70                          | 0.00                               |
| NICHOLSON  | JB    | 10659.96        | 0.00                             | 0.65                               |
| OWEN       | J     | 10659.96        | 0.00                             | 147.84                             |
| PENNINGTON | JT    | 10659.96        | 0.00                             | 1258.78                            |
| RADFORD    | RF    | 10659.96        | 0.00                             | 499.45                             |
| RAWLINSON  | J     | 10659.96        | 15990.00                         | 3742.51                            |
| ROGERS     | MA    | 10659.96        | 15990.00                         | 551.85                             |
| SHADRICK   | DH    | 10659.96        | 1865.50                          | 1326.25                            |
| SMITH      | JN    | 10659.96        | 21230.04                         | 3846.38                            |
| SPENCE     | SM    | 10552.57        | 5330.04                          | 565.52                             |
| TAYLOR     | B     | 10659.96        | 9822.34                          | 0.00                               |
| TEMPERLEY  | HPN   | 10659.96        | 15990.00                         | 6226.58                            |
| TUCKER     | FGH   | 10659.96        | 2664.96                          | 2028.34                            |
| TURNER     | ME    | 10659.96        | 2664.96                          | 432.05                             |
| WAY        | NA    | 10659.96        | 10659.96                         | 574.58                             |
| WESTLAKE   | R     | 10659.96        | 0.00                             | 0.00                               |
| WRAGG      | EE    | 10659.96        | 2220.80                          | 763.43                             |
| YABSLEY    | JO    | 10659.96        | 0.00                             | 1550.50                            |

1. No payments were made to Members in respect of Co-optees Allowance
2. Members listed in order of distance from Home to County Hall and return
3. A Carers Allowance of £898 was paid to Cllr. AV Davis

## BUDGET ADJUSTMENTS 2007/08

|                                    | Original<br>Budget<br>£000 | 2006/07<br>Br't-fwds.<br>£000 | Virements<br>£000 | Final<br>Budget<br>£000 |
|------------------------------------|----------------------------|-------------------------------|-------------------|-------------------------|
| <b>COMMITTEE BUDGETS</b>           |                            |                               |                   |                         |
| Children and Young People          |                            |                               |                   |                         |
| - Schools                          | 0                          | 10,910                        |                   | 10,910                  |
| - Non-school                       | 90,772                     | 477                           | (254)             | 90,995                  |
| Adult and Community Services       | 146,374                    | 143                           | 595               | 147,112                 |
| Environment , Economy & Culture    | 97,891                     | 1,353                         | (822)             | 98,422                  |
| Chief Executive's                  | 12,474                     | 1,007                         | (259)             | 13,222                  |
| Finance, IT and Trading            | 11,799                     | 799                           | 350               | 12,948                  |
| Personnel & Performance            | 3,650                      | 430                           | 0                 | 4,080                   |
| Building Maintenance               | 945                        | 8                             | 259               | 1,212                   |
| <b>Committee Budget Allocation</b> | <b>363,905</b>             | <b>15,127</b>                 | <b>(131)</b>      | <b>378,901</b>          |
| Budget Carry Forward Fund          |                            | (15,043)                      |                   | (15,043)                |
| Capital Financing                  | 48,582                     |                               |                   | 48,582                  |
| Interest on Balances               | (8,785)                    |                               |                   | (8,785)                 |
| <b>Contributions to reserves</b>   |                            |                               |                   |                         |
| Redundancy Reserve                 | 1,000                      |                               |                   | 1,000                   |
| Transition Fund                    | 5,216                      |                               |                   | 5,216                   |
| Matched Funding                    | 350                        |                               |                   | 350                     |
| Local Initiatives Fund             | 114                        | (84)                          |                   | 30                      |
| Systems Development Fund           | 781                        |                               |                   | 781                     |
| Customer Access Strategy           | 500                        |                               |                   | 500                     |
| Modernisation                      | 1,908                      |                               |                   | 1,908                   |
| <b>Precepts</b>                    |                            |                               |                   |                         |
| Flood Defence                      | 218                        |                               |                   | 218                     |
| Devon Sea Fisheries                | 309                        |                               |                   | 309                     |
| <b>Non-committee budgets</b>       | <b>50,193</b>              | <b>(15,127)</b>               | <b>0</b>          | <b>35,066</b>           |
| <b>Direct Support for Capital</b>  | <b>0</b>                   | <b>0</b>                      | <b>131</b>        | <b>131</b>              |
| <b>TOTAL</b>                       | <b>414,098</b>             | <b>0</b>                      | <b>0</b>          | <b>414,098</b>          |

## **PART II CAPITAL**

### **1. The Capital Programme**

- 1.1 The 2007/08 Capital Programme was approved at £136.186million. The programme was increased in year by £ 11.167 million as a result of previous year's slippage and decreased by £ 27.951 million for adjustments made to the Capital Programme, approved by members in year.

The total Capital Programme for 2007/08 was £ 119.402 million as shown in the table below:-

|   | <b>£ million</b> |
|---|------------------|
| <b>Approved Programme</b>                               | <b>136.186</b>   |
| Slippage from previous years                            | 11.167           |
| Amendments to Capital Programme in 2007/08 (Appendix 1) | -27.951          |
| <b>Final Programme</b>                                  | <b>119.402</b>   |

- 1.2 The variations made to the capital programme during the year totalled -£27.951 million, the significant items are listed in Appendix 1.

Where appropriate, funds will be carried forward to 2008/9 where slippage has occurred.

### **2. Capital Expenditure**

- 2.1 In 2007/08, £ 95.954 million was expended in the delivery of the County Council's Capital Programme.

The table below shows how this spending is distributed across the County Council:-

|                                      | <b>£ million</b> |
|--------------------------------------|------------------|
| Children and Young Persons' Services | 38.958           |
| Environment, Economy and Culture     | 51.212           |
| Adult and Community Services         | 2.580            |
| Chief Executives and Resources       | 3.204            |
| <b>2007/08 Final Outturn</b>         | <b>95.954</b>    |

### **3. What we achieved with Capital investment**

#### **3.1 Adult and Community Services**

Of the £2.5 million capital investment by ACS in 2007-08, a significant amount comprised payments to residential care home providers allocated as part of the Care Home Environment for Older People programme, which was funded by grant from the Department of Health. Most of the beneficiaries were independent sector providers, although nine County-Council run homes also benefited.

Progress was made in the modernisation programme with the provision of facilities for adults with learning disabilities - notably at the Molly Owen Community Resource Centre and 2 North Road Okehampton, which should both be completed in 2008-09. In addition, a new shared house for adults with learning disabilities was acquired in Totnes, funded from the Extra Care Housing budget.

The Extra Care Housing budget also paid for a telecare project in Exeter, and enhancements to sheltered accommodation in Honiton & Kingsbridge.

Improvements were made to the directorate's information infrastructure funded from capital grant from the Department of Health's Improving Management Information programme.

In addition a number of improvements were made in respect of structural maintenance & re-modelling of buildings used by the ACS Directorate, including upgrades recommended in external inspection reports.

### 3.2 Children and Young People's Services

In 2007-08, three replacement schools were completed in Exeter, Moretonhampstead and Halwill. In addition, significant projects were completed at Ashleigh Primary, Barnstaple and Woolacombe Primary. Major projects at secondary schools included the replacement of HORSAs/Temporary accommodation at Coombeshead College and Braunton Community College. Projects to increase specialist provision were completed at Kingsbridge and Ilfracombe Colleges and a new Sports Hall at Uffculme School. Residential facilities were upgraded at Dawlish Ratcliffe.

Children's centres, supporting children and families, have been provided across Devon including projects in Exeter, Exmouth, Tiverton, Braunton, Honiton, and Barnstaple. Improved early years provision has been supported in Axminster and Kenn.

Young people have been integral in the prioritisation, allocation and monitoring of Youth Capital Fund with £300k being invested countywide.

### 3.3 Corporate Projects

The County Farms Estate Useable Capital receipts reserve was used in 2007/08 to fund two major projects. The first being the sympathetic restoration of the thatched roof on the Grade II listed farmhouse at Great Stone Farm, South Molton. This work was carried out in accordance with Objective AF7 of Devon's Historic Environment: Role & Action programme 2003. The second being the provision of an essential farm infrastructure upgrade at Dungeons Farm, Cullompton following the amalgamation of land from Higher Weaver and Weaver Mill Farms. This essential infrastructure upgrade was made in accordance with the County Farms Estate Finance Plan 2002 to 2012. Work was undertaken towards the development of the remaining Industrial Estate sites and the planning application for the new business park. The Council continued to invest in compliance and maintenance works to improve the Health and Safety in DCC buildings and the condition of its assets. DCC made a significant contribution to the new Ivybridge Community Resource Centre and major works were undertaken to create further open planning within County hall in order to create work space efficiencies.

### 3.4 Environment, Economy and Culture

The past year has seen several major milestones achieved through the completion of significant capital projects. Perhaps the most notable was the opening, in May 2007, of the £42m Barnstaple Western Bypass; this was followed immediately by an enhancement of the Square at Barnstaple, jointly funded with North Devon District Council, which seeks to capture for pedestrians the benefit of removing through traffic from the town.

Upgrading the public realm has also been the focus of works in Cathedral Close and Cathedral Yard, Exeter, also funded jointly with the City Council. This complements the enhanced public space in the new Princesshay development in Exeter City centre, and the work which the County Council has carried out on Paris Street to reduce traffic flows adjacent to the shopping centre.

Maintenance of the highway network has also been a prominent theme, with additional funding provided over two financial years to upgrade the capacity of drainage systems to mitigate the increased storminess which may be a consequence of climate change. Investment has also been made by installing lower energy highway lighting, to contribute to reducing the County Council's carbon footprint.



4.3 Total Borrowing required in year is £ 29.975 million. This is offset by the Minimum Revenue Provision and Voluntary Contributions to Repayment of Debt of £ 20.452 million leaving a balance of £ 9.522 million to be financed externally. The actual borrowing taken in year was £10.000 million. This means that there are carried forward balances in 2007/08 of £0.478million to add to brought forward balances of £ 50.760 million from previous years giving £ 51.238 million of borrowing taken in advance to fund future years Capital Programmes.

## 5. **Slippage and 2008/09 Capital Programme**

5.1 In managing the Capital Programme, the key objective of the Council is to obtain Value for Money. Complex processes are in place to ensure that we achieve this. Because of this focus, however, some projects do slip in the Capital Programme giving rise to underspending which is normally carried forward to the following financial year.

5.2 The 2007/08 net slippage totals £23.448 million as is detailed below. However, having reviewed the slippage, £20.798 million (89% of the total value) has already been committed in to the 2008/09 Capital Programme and beyond.

|                                      | <b>Slippage<br/>£ million</b> | <b>Carry Forward<br/>£ million</b> |
|--------------------------------------|-------------------------------|------------------------------------|
| Children and Young Persons' Services | 8.529                         | 6.524                              |
| Environment, Economy and Culture     | 9.757                         | 9.113                              |
| Adult and Community Services         | 2.053                         | 2.053                              |
| Chief Executives and Resources       | 3.109                         | 3.108                              |
| <b>Total</b>                         | <b>23.448</b>                 | <b>20.798</b>                      |

The capital programme experienced slippage for the following reasons:

### 5.3 Children and Young People's Services

The slippage on the Children and Young Peoples Service capital programme can be attributed in the main to two areas:

- Schools locally funded allocations, principally Devolved Formula Capital (DFC). The 2008/09 Programme includes proposals to promote DFC Investment.
- The Children's Centre Programme has slipped but is still identified by the DCSF as low risk in terms of delivery.

Slippage in the above areas is not confined to Devon, it is a picture reflected nationally.

Other slippage has occurred on specific projects which have encountered planning, consultation and other external challenges, in particular projects funded from the proceeds of the Hillcrest Receipt and the proposed Childrens and Young Peoples infrastructure at Cranbrook.

In previous years, it has been possible to minimise underspends as certainty of funding in future years has enabled future priorities to be brought forward. Unfortunately, the DCSF did not announce their funding intentions until Autumn 2007 by which time it was too late to take management to minimise slippage. The uncertainty of funding also means that resources have to remain unallocated to meet future years commitments.

The CYPS capital programme 2008 - 2011 includes an allocation of £46.4 million for Bideford College Building Schools for the Future project (Executive Committee CY/08/09) and it was anticipated that works would commence early in 2008. As a result of complications arising during the design development phase there has been slippage in the 2007/8 programme. There has also been considerable upward pressure on the project cost mainly as a result of inflation in the construction sector, the high costs of dealing with a complex and challenging

site and the objective of achieving a building and grounds with exemplary sustainability credentials. Strenuous efforts have been made to control costs through making reductions in the client brief, technical value engineering and direct negotiation with the framework construction contractor and their supply chain. Nevertheless, the current cost estimate stands at £54.8 million and thus a further funding allocation of £8.4 million is required from corporate resources to permit the project to be procured. Enabling works have already been undertaken on site and the main contract is scheduled to commence in July 2008 to allow the College to take occupation of their new premises in September 2010.

#### 5.4 Environment, Economy and Culture

While excellent progress was made in delivering many projects in the Environment, Economy and Culture capital programme, a number of elements of the planned programme were deferred into the new financial year, for a variety of reasons.

The prospect of Local Government Reorganisation in Exeter made it logical to defer work on a planned highways depot rationalisation with the Highways Agency, following an interim agreement with the City Council. Work on a new recycling centre in Exeter was also put on hold pending the Local Government Review decision.

In the case of the planned £4m reconstruction of Bideford Bridge, a technical review was conducted, which led to the identification of a more cost effective remedial action, using cathodic protection. The revised scheme is going ahead in the new financial year.

A delay in achieving planning consent for the Deep Moor Composting plant meant that it was not possible to start construction until late in the financial year, but the project is now under way with the balance of the funding being required in the new financial year.

The County Council's partnership contribution to funding the proposed Jurassic Coast visitor centres at Seaton and Exmouth was not called on in 2007/08, but active planning for the centres has accelerated, with the appointment of a project co-ordinator."

### 6. **Financing Slippage in 2007/08 and Carry Forward to 2008/09**

|   |          |                |                |
|---|----------|----------------|----------------|
| Grants and Contributions<br>5.499 million         | £        | 7.080 million  | £              |
| Ring Fenced Supported Borrowing<br>0.355 million  | £        | 0.354 million  | £              |
| Unsupported Borrowing<br>million                  | £        | 12.234 million | £11.983        |
| Vehicle and Equipment Loans Pool<br>2.961 million | £        | 3.780 million  | £              |
| <b>Total</b>                                      | <b>£</b> | <b>23.448</b>  | <b>million</b> |
| <b>£20.798 million</b>                            |          |                |                |

### 7. **Draft Prudential Indicators**

#### 7.1 Capital Expenditure

The Prudential Indicators 2007/08 were based on the Approved Capital Programme of £136.186 million.

|                     |                   |
|---------------------|-------------------|
| Planned Expenditure | £ 136.186 million |
| Actual Expenditure  | £ 95.953 million  |
| Variance            | £ 40.233 million  |

## 7.2 Capital Financing Requirement (CFR)

The Capital Financing Requirement reflects the underlying need to borrow for capital purposes.

|   | Million           | Million    |
|---|-------------------|------------|
| Opening CFR                                 |                   | £ 548.879  |
| Capital Investment                          | £ 95.953          |            |
| Less: Capital Receipt                       | (£ 0.146)         |            |
| Less: Government Grants and Contributions   | (£ 63.536)        |            |
| Less: Direct Revenue Financing              | (£ 2.297)         |            |
| Capital Investment Funded through Borrowing | £ 29.974          |            |
| Less: Minimum Revenue Provision             | (£ 19.186)        |            |
| Less: Voluntary Cont. Repayment Debt        | (£ 1.266)         |            |
| Less: Repayment of Debt                     | (£ 4.155)         | (£ 24.607) |
| Closing Capital Financing Requirement       |                   | £ 554.246  |
| Planned CFR (31 <sup>st</sup> March 2008)   | £ 599.727 million |            |
| Actual CFR (31 <sup>st</sup> March 2008)    | £ 554.246 million |            |
| Variance                                    | £ 45.481 million  |            |

The underlying need to borrow is less than anticipated due the slippage on the Capital Programme.

## 7.3 Authorised Limit and the Operational Boundary for External Debt

External Debt totals £609.639 million.

The authorised limit for external debt of £ 706.616 million was not breached.

The operational boundary for external debt of £ 652.215 million was not breached.

## 7.4 Ratio of Financing Cost to Net Revenue Stream

This ratio aims to show the percentage of the net Revenue budget which is used to finance debt. The Council originally estimated that 9.78% would be applied. Effective treasury management, however, and the level of slippage resulted in less borrowing than anticipated, giving a revised ratio of 8%.

|                       |                   |
|-----------------------|-------------------|
| Total Financing Costs | £ 32.665 million  |
| Net Revenue Stream    | £ 414.098 million |
| Percentage            | 7.89 %            |
| Estimated             | 9.78 %            |
| Variance              | (1.89) %          |

## 7.5 Impact on Council Tax Payer

The impact on the Council Tax Payer of the financing of 2007/08 Capital Programme will be calculated in the July, when the Statement of Accounts is complete.

## 8. **Determination of Capital Finance**

The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance sources is proposed:

- That central government support to borrowing totalling £ 28.747 million is used as authorisation to capitalise expenditure.
- That ring fenced supported borrowing of £ 0.041 million is used as authorisation to capitalise expenditure.
- That unsupported borrowing of £1.187 million is used to fund expenditure in respect of the Vehicle & Equipment Loans Pool.
- That expenditure of £ 63.536 million is capitalised and funded from government grants and external contributions.
- That useable capital receipts of £0.146 million are applied to meet expenditure in 2007/8 for capital purposes.
- That remaining capital expenditure of £2.297 million is met from revenue budgets, revenue reserves and trading balances.

## **9. CAPITAL SUMMARY**

The Council set itself another challenging Capital Programme in 2007/08 of which it delivered 80% in financial terms.

I would like to take this opportunity to express my sincere thanks to members of the Council and staff in all Directorates for all their hard work in helping to deliver the 2007/08 Capital Programme.

## **10. Recommendations**

**It is recommended that:**

- 1. the 2007/08 Capital Outturn is approved, including spend against Budget and the proposed carry forward (slippage) as identified in the body of the Capital Outturn Report and the supporting tables within this booklet.**
- 2. The use of capital finance as set out in the statement of determination of Capital Finance and in paragraph 8 of the Capital Outturn Report be approved.**
- 3. The Draft Prudential Indicators as set out in section 7 of this report are noted.**
- 4. That a further £ 8.4 million be allocated to the Bideford BSF and financed from corporate resources.**

John Mills

Local Government Act 2003

Contact for Enquiries: Susan Deaney Tel No: 01392 382453

Background Papers: Nil

**Analysis of Changes to Planning Levels - by Projects****Children & Young Peoples Services**

|  |          |
|--|----------|
| DCSF Modernisation Advance             | 6,000    |
| Bideford College                       | 4,578    |
| New Communities Section 106            | (2,000)  |
| Resources funded by Borrowing Approval | (20,037) |
| Vehicle and Equipment Loans Pool       | (736)    |
| Schools Access Initiative Programme    | (775)    |
| Various (sale of Hill Crest)           | 1,422    |
| Modernisation                          | (5,899)  |
| Building Schools for the Future - DCFS | (6,289)  |
| Children's Centres - various - GOSW    | (2,156)  |
| Devolved Formula Capital - DCFS        | (8,533)  |
| Other changes                          | (1,484)  |

**Total** (35,909)

**Environment, Economy & Culture**

|                            |         |
|----------------------------|---------|
| Duchy Square               | 1,239   |
| Invessel Composting        | (1,424) |
| Highway Drainage           | 500     |
| Barnstaple Western Bypass  | 608     |
| Path to Prosperity         | 746     |
| Libraries                  | 424     |
| Northcott Theatre Grant    | 450     |
| Waste Vehicles & Equipment | 500     |
| Capitalised Maintenance    | 513     |
| Other changes              | 2,732   |

**Total** 6,288

**Adult & Community Services**

|  |       |
|--|-------|
| Care Home Environment for Old People grant | 1,267 |
| Other changes                              | (140) |

**Total** 1,127

**Corporate Projects**

|               |     |
|---------------|-----|
| County Farms  | 406 |
| Other changes | 137 |

**Total** 543

**Overall Total** (27,951)

**CAPITAL OUTTURN SUMMARY 2007/08**

|  | Revised<br>Programme                            | Total<br>Spending | Slippage and<br>Other Variations | <i>Impact on<br/>2008/09<br/>Programme<br/>Increase/<br/>(Decrease)</i> |               |
|--|---|-------------------|----------------------------------|---|---------------|
|  | (1)<br>£'000                                    | (2)<br>£'000      | (3)<br>£'000                     | (4)<br>£'000  |               |
| <b>MAIN PROGRAMME</b>                    |   |                   |                                  |   |               |
| 1  | Children and Young People                       | 41,887            | 36,915                           | (4,972)   | 3,340         |
| 2  | Environment, Economy and Culture                | 55,566            | 49,207                           | (6,359)   | 6,507         |
| 3  | Adult and Community Services<br>Chief Executive | 2,982             | 1,496                            | (1,486)   | 1,486         |
| 4  | County Farms                                    | 819               | 146                              | (673)   | 673           |
| 5  | County Buildings                                | 946               | 714                              | (232)   | 232           |
| 6  | Enabling Works                                  | 98                | 72                               | (26)  | 26            |
| 7  | Compliance                                      | 1,264             | 533                              | (731)   | 731           |
| 8  | Sustainable Village Communities                 | 261               | 5                                | (256)   | 256           |
| 9  | Objective 2                                     | 271               | 271                              | 0   |               |
| 10                                       | Industrial Estates                              | 348               | 202                              | (146)   | 146           |
| 11                                       | Corporate - Greatmoor House                     | 0                 | 0                                | 0   |               |
| 12                                       | Corporate Estate Maintenance & Improvements     | 1,249             | 1,044                            | (205)   | 205           |
| 13                                       | Public Service Agreements                       | 0                 | 0                                | 0   |               |
| 14                                       | E-partnership                                   | 81                | 80                               | (1)   | 0             |
| 15                                       | <b>Total</b>                                    | <b>105,772</b>    | <b>90,685</b>                    | <b>(15,087)</b>   | <b>13,602</b> |
| <b>SUPPORTED BORROWING (RING FENCED)</b> |   |                   |                                  |   |               |
| 16                                       | Industrial Estates                              | 0                 | 0                                | 0   |               |
| 17                                       | Children and Young People                       | 0                 | 0                                | 0   |               |
| 18                                       | Environment, Economy and Culture                | 6                 | 7                                | 1   | 0             |
| 19                                       | Adult and Community Services                    | 389               | 34                               | (355)   | 355           |
| 20                                       | <b>Total</b>                                    | <b>395</b>        | <b>41</b>                        | <b>(354)</b>  | <b>355</b>    |
| <b>UNSUPPORTED BORROWING</b>             |   |                   |                                  |   |               |
| 21                                       | Children and Young People                       | 0                 | 0                                | 0   |               |
| 22                                       | Environment, Economy and Culture                | 0                 | 0                                | 0   |               |
| 23                                       | Job Evaluation                                  | 0                 | 0                                | 0   |               |
| 24                                       | <b>Total</b>                                    | <b>0</b>          | <b>0</b>                         | <b>0</b>  | <b>0</b>      |
| <b>LOAN PROGRAMME</b>                    |   |                   |                                  |   |               |
| 25                                       | Children and Young People                       | 272               | 272                              | 0   |               |
| 26                                       | Environment, Economy and Culture                | 3,935             | 815                              | (3,120)   | 2,301         |
| 27                                       | IT, Call Centre & Vehicles                      | 660               | 0                                | (660)   | 660           |
| 28                                       | Adult and Community Services                    | 100               | 100                              | 0   |               |
| 29                                       | <b>Total</b>                                    | <b>4,967</b>      | <b>1,187</b>                     | <b>(3,780)</b>  | <b>2,961</b>  |
| <b>PROJECTS FINANCED FROM REVENUE</b>    |   |                   |                                  |   |               |
| 30                                       | Industrial Estates                              | 0                 | 0                                | 0   |               |
| 31                                       | Children and Young People                       | 857               | 857                              | 0   |               |
| 32                                       | Environment, Economy and Culture                | 1,128             | 931                              | (197)   | 197           |
| 33                                       | Adult and Community Services<br>Chief Executive | 404               | 404                              | 0   |               |
| 34                                       | County Buildings                                | 236               | 66                               | (170)   | 170           |
| 35                                       | Sustainable Village Communities                 | 4                 | 4                                | 0   |               |
| 36                                       | County Farms                                    | 16                | 16                               | 0   |               |
| 37                                       | Corporate - Greatmoor House                     | 19                | 19                               | 0   |               |
| 38                                       | <b>Total</b>                                    | <b>2,664</b>      | <b>2,297</b>                     | <b>(367)</b>  | <b>367</b>    |
| <b>"IN AND OUT" PROGRAMME</b>            |   |                   |                                  |   |               |
| 39                                       | Children and Young People                       | 4,471             | 914                              | (3,557)   | 3,184         |
| 40                                       | Environment, Economy and Culture                | 334               | 252                              | (82)  | 108           |
| 41                                       | County Farms                                    | 41                | 32                               | (9)   | 9             |
| 42                                       | County Buildings                                | 0                 | 0                                | 0   |               |
| 43                                       | Adult and Community Services                    | 758               | 546                              | (212)   | 212           |
| 44                                       | Corporate - Greatmoor House                     | 0                 | 0                                | 0   |               |
| 45                                       | <b>Total</b>                                    | <b>5,604</b>      | <b>1,744</b>                     | <b>(3,860)</b>  | <b>3,513</b>  |
| 46                                       | <b>TOTAL SPENDING</b>                           | <b>119,402</b>    | <b>95,954</b>                    | <b>(23,448)</b>   | <b>20,798</b> |
| 47                                       | <b>TOTAL TO BE FINANCED</b>                     | <b>119,402</b>    | <b>95,954</b>                    |   |               |

|   | Revised<br>Programme | Total<br>Spending | Slippage and<br>Other Variations | <i>Impact on<br/>2007/08<br/>Programme<br/>Increase /<br/>(Decrease)</i> |
|---|----------------------|-------------------|----------------------------------|--|
|   | £'000                | £'000             | £'000                            | £'000  |
| Children and Young People                   | 47,487               | 38,958            | (8,529)                          | 6,524  |
| Environment, Economy and Culture            | 60,969               | 51,212            | (9,757)                          | 9,113  |
| Adult and Community Services                | 4,633                | 2,580             | (2,053)                          | 2,053  |
| Chief Executive                             |                      |                   |                                  |  |
| County Farms                                | 876                  | 194               | (682)                            | 682  |
| County Buildings                            | 1,182                | 780               | (402)                            | 402  |
| Enabling Works                              | 98                   | 72                | (26)                             | 26   |
| Compliance                                  | 1,264                | 533               | (731)                            | 731  |
| Sustainable Village Communities             | 265                  | 9                 | (256)                            | 256  |
| Objective 2                                 | 271                  | 271               | 0                                | 0  |
| Industrial Estates                          | 348                  | 202               | (146)                            | 146  |
| Corporate Estate Maintenance & Improvements | 1,249                | 1,044             | (205)                            | 205  |
| Corporate - Greatmoor House                 | 19                   | 19                | 0                                | 0  |
| e-government                                | 81                   | 80                | (1)                              | 0  |
| IT, Call Centre & Vehicles                  | 660                  | 0                 | (660)                            | 660  |
|   | <u>119,402</u>       | <u>95,954</u>     | <u>(23,448)</u>                  | <u>20,798</u>  |

**CAPITAL PROGRAMME 2007/08 - STATEMENT OF DETERMINATION OF CAPITAL FINANCE**

|  | Recommended<br>Financing<br>£000 | Recommended<br>Financing<br>£000 |
|--|----------------------------------|----------------------------------|
| <b>SOURCES OF FINANCE</b>  |                                  |                                  |
| External   |                                  |                                  |
| <u>Borrowing</u>   |                                  |                                  |
| Supported Borrowing - Single Capital Pot                               | 28,747                           |                                  |
| Supported Borrowing - Ring Fenced                                      | 41                               |                                  |
| Unsupported Borrowing  | 0                                |                                  |
| Unsupported Borrowing - Loans Pool                                     | 1,187                            |                                  |
| Total Planned Borrowing  | <u>29,975</u>                    |                                  |
| Unsupported Borrowing - Balance (assumes no In & Out receipts in year) | 0                                |                                  |
| <u>Total Borrowing</u>   |                                  | 29,975                           |
| <u>Other External Finance</u>  |                                  |                                  |
| Grants and Contributions   |                                  | 63,536                           |
| <br>Total External Sources   |                                  | <br>93,511                       |
| Internal   |                                  |                                  |
| Useable Capital Receipts applied                                       | 146                              |                                  |
| In & Out Receipts Applied  | 0                                |                                  |
| Committee Revenue Budgets, Funds and Provisions                        | 2,297                            |                                  |
| Local Authority Companies<br>Financing Adjustments                     |                                  |                                  |
| Total Internal Sources   | <u>          </u>                | 2,443                            |
| <br><b>Total Sources of Funding</b>                                    |                                  | <br><u><u>95,954</u></u>         |

|                            |                      |
|----------------------------|----------------------|
| <b>Capital Receipts</b>    |                      |
| Balance at Start of Year   | 53,789               |
| Received During Year       | 6,575                |
| <br>Applied to Financing   | <br>(146)            |
| Applied to Debt            | <u>(2,683)</u>       |
| <b>Balance at Year End</b> | <u><u>57,535</u></u> |



### Debt (Monies Owed to the Authority) as at 31<sup>st</sup> March 2008

The County Council collects income from a wide range of sources to fund its services. Large elements of income are received automatically from Government and District Councils in respect of Revenue Support Grant, share of National Non-Domestic Rates and Council Tax.

Technology is also used to receive income and the e-government agenda is resulting in new processes being established to collect income via telephone calls and internet transactions.

Income is also received from the raising of invoices to users of service. Accounts are credited with the income value with immediate effect, however, it is often the case that debtors take time to settle outstanding amounts.

The County Council has a number of debtor systems which encompass Social Services care functions, Devon Pensions Fund item and Corporate services.

Debt is measured by age and a 2.5% target is applied to Corporate debt which is more than three months old, relative to the total value of invoiced income during the past year. This is a significant reduction on the target of 5% for 2006/07.

As at 31<sup>st</sup> March 2008, the situation was as follows :-

|  | Corporate System | Social Services Care Functions | Devon Pension Fund | Total            |
|--|------------------|--------------------------------|--------------------|------------------|
| Total Invoiced Income for the Year   | £100.531 million | £33.013 million                | £7.779 million     | £141.327 million |
| Outstanding debt older than 3 months   | £1.403 million   | £2.909 million                 | £0.236 million     | £4.548 million   |
| Percentage of Debt which is older than 3 months relative to whole year value | 1.4%             | 8.8%                           | 3.0%               | 3.2%             |

Within the Social Services Care Functions, elements of Residential Care debt are underwritten by property charges. At the year end, these total £2,117,073 and reduce the percentage of outstanding debt to 2.4%.

Invoiced income in respect of Devon Pension Fund is comparatively low in percentage terms and relate to a small number of debtors.

The percentage of corporate debt reduced by 1.0% at the year end compared to 2006/07 and this reflects the active debt recovery processes apply across the whole Authority, incorporating Service, Finance and Legal Services staff. Whilst, in absolute terms, outstanding amounts are high, in percentage terms, the overall position is acceptable. It is emphasised that active management occurs in debt recovery and risks are minimised.

In addition, to mitigate the effect of non-recovery of debt, Provisions have been established to write-off items which prove non-recoverable. At the year end, these total £0.701 million.



## Treasury Management Stewardship Report 2007/08

### 1 Introduction

- 1.1 The purpose of the report is to inform members of any key matters arising from the Treasury Management and Debt Management activities during the last financial year. It enables members to look at performance, in addition to ensuring that agreed policy is being implemented.
- 1.2 Treasury Management in local government is regulated by the 'CIPFA Code of Practice on Treasury Management in Local Authorities' (the Code). The Council endorses the Code in adopting its Annual Treasury Management Strategy Statement.
- 1.3 Long term borrowing and Debt Management are similarly regulated by the CIPFA Prudential Code, which was developed to support the aims of the Local Government Act 2003. One of the provisions of the Act was to allow local authorities to borrow to finance capital schemes, without the need to have Government approval, so long as it was affordable and prudent to do so. To demonstrate this is the case, the Council as part of the budget process has to agree what are termed Prudential Indicators.
- 1.4 The County Council having agreed the Strategy, and confirmed the Indicators, delegates authority for the management of this function to the Director of Finance, IT and Trading, and the operation to the Investment Manager and his staff.

### 2 Treasury Strategy and Objectives

- 2.1 The major objectives for 2007/08 were:

*Borrowing Objectives:*

- to fund the capital programme in the most effective manner.
- to borrow funds forward for future years of the capital investment plan, only providing interest rates are attractive
- the forward borrowing to be cost neutral – the interest paid on the new loans to be at least matched by the investment of the monies until required.
- to borrow from either the Public Works Loan Board (PWLB) or from Money Market lenders, whichever is the most advantageous.
- to actively manage the loans portfolio and identify opportunities to reschedule existing debt.
- to reduce the average interest rate of the Council's long term funding.

*Lending Policy:*

- to maintain capital security
- to ensure sufficient liquidity
- to continue to invest surplus cash in a way which maximises return with the minimum of risk.
- to take full advantage of the relaxed investment regulations.

### 3 Treasury Management Framework

3.1 The Council's Treasury Management activities are defined as follows:

*"The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

3.2 Treasury activities in 2007/08 were still being influenced by the decisions made in respect of capital financing in 2006/07. You will remember that the Council agreed to make full use these new financial freedoms, in particular the opportunity to borrow in advance. A total of £50 million was borrowed in 2006/07 in respect of the 2007/08 Capital Programme. The investment of these monies until such time as they would be required generated more activity in our lending.

3.3 During the Budget process, the following Borrowing Limits were set for 2007/08

- an Authorised Limit (borrowing only) of £701.1m
- an Operational Boundary of £649.4m
- an Upper Limit on Fixed Interest Exposure of 100%
- an Upper Limit on Variable Interest Exposure of 30%

3.4 The Treasury portfolio at the start and the end of the financial year is set out below:

|   | <b>1 April<br/>2007<br/>£m</b> | <b>31 March<br/>2008<br/>£m</b> |
|---|--------------------------------|---------------------------------|
| <b>Borrowing</b>                          |                                |                                 |
| <b>All Long term (and at fixed rates)</b> |                                |                                 |
| Public Works Loan Board                   | 508.1                          | 518.1                           |
| Market loans (LOBOs)                      | <u>91.5</u>                    | <u>91.5</u>                     |
| Sub total                                 | <b>599.6</b>                   | <b>609.6</b>                    |
| <b>Lending</b>                            |                                |                                 |
| Variable rate                             | 4.1                            | 12.5                            |
| Fixed rate                                | <u>256.1</u>                   | <u>240.1</u>                    |
| Sub total                                 | <b>260.2</b>                   | <b>252.6</b>                    |
| <b>Net Position</b>                       | <b>339.4</b>                   | <b>357.0</b>                    |

#### 4 Treasury Outturn for 2007/08

##### 4.1 Borrowing

- 4.1.1 We were able to maintain a degree of liquidity such that we did not need to engage in any short term borrowing during the year. A help in this respect was the use of Money Market Funds and Call Accounts, which allow instant access to our funds.
- 4.1.2 Long term borrowing was undertaken having regard to the stated objectives.
- 4.1.3 Only one sum was obtained from the Public Works Loan Board for £10 million, in the form of a Maturity Loan. With this type of loan, interest only is paid half-yearly during the period of the loan, and the principal borrowed is repaid at the end.

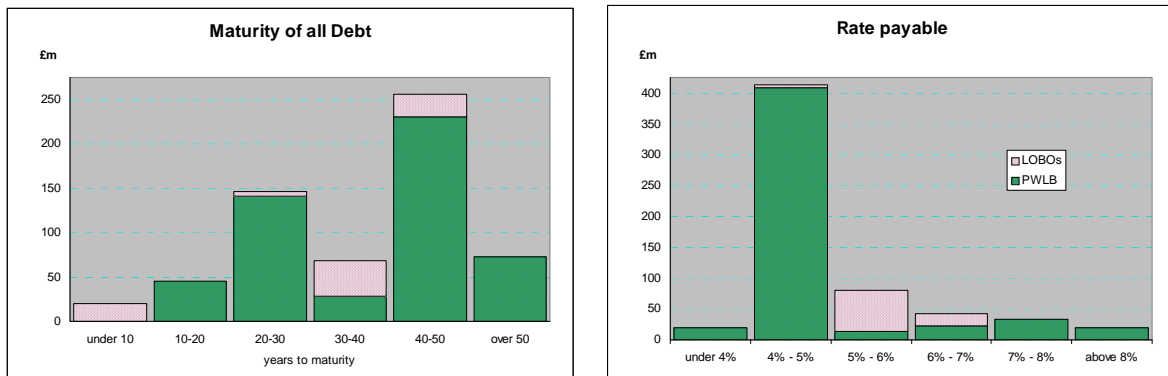
|                   |             |                       |                    |
|-------------------|-------------|-----------------------|--------------------|
| January 21st 2008 | £10,000,000 | 30 year maturity loan | At a rate of 4.43% |
|-------------------|-------------|-----------------------|--------------------|

- 4.1.4 This loan was taken to part fund the 2008/09 capital programme. This ability to borrow in advance, given to local authorities as part of the Prudential Code, has been one that we have used to great effect. Rates are updated every day, so the timing of the borrowing is very important, as the loan is at that fixed rate for a long period. The rate achieved proved to be the lowest in the year, and as the funds were not required immediately, we were able to be lend this money out at a one percent margin.
- 4.1.5 Generally however, rates for most of the year were higher than we have seen in recent times. As we already had advance funding in place, we were not forced to take on lots of additional borrowing during the period.
- 4.1.6 Only one debt re-structuring exercise was carried out, at the start of the year, which produced a small saving in interest. No additional funding was obtained from the Commercial Money Market, nor were there any rate changes in the existing borrowings.
- 4.1.7 In summary, these are the changes to the loans portfolio:

|                   | PWLB         |              | Market Loans |              |
|-------------------|--------------|--------------|--------------|--------------|
|                   | £millions    | Average Rate | £millions    | Average Rate |
| 1 April 2007      | 508.1        | 4.97%        | 91.5         | 5.81%        |
| Debt Re-scheduled | -10.0        | 4.70%        | 0            |              |
|                   | 10.0         | 4.50%        | 0            |              |
| New Borrowing     | 10.0         | 4.43%        | 0            |              |
| 31 March 2008     | <b>518.1</b> | <b>4.96%</b> | <b>91.5</b>  | <b>5.81%</b> |

- 4.1.9 As a result of the above actions, the average interest rate on long term external funding has been reduced marginally from 5.10% to 5.09%.

4.1.10 The following charts show the maturity of the debt, and the rates of interest payable.



4.1.11 The major change in the year was the introduction by the PWLB of dual rates. There is now a rate for new borrowing, and another to be used in calculating the premium or discount if repaying debt. The practical effect of this was covered at length in the Treasury Management Strategy Report (February 2008), but in essence it means that since the change, and until or unless it is amended, re-scheduling of debt is no longer economic. This is something the Council had used to effectively manage its debt profile, and reduce the average rate payable, year on year.

4.1.12 Recognising the damaging effect of these changes, the Council resolved to 'ask the Public Works Loan Board to consider reintroducing debt rescheduling opportunities on a similar basis to those applying prior to 1<sup>st</sup> November 2007'. This was done, and the Board has promised to keep the changes under review.

## 4.2 Lending

4.2.1 Revenue lending during the period, including the use of Call Accounts and Money Market Funds, earned interest of £15,922,000, on an average balance of a little over £272 million. This produced an investment return of 5.85%.

4.2.2 The year has been dominated by the so called 'credit crunch', which caused markets to move in ways determined by fear and insecurity, rather than economic fundamentals. Its source was in the United States, where inappropriate lending by banks in what is termed the 'sub-prime' market led to large write offs of debt, and even put question marks over the future of some of the largest banking institutions.

4.2.3 In turn we began to see that a number of UK banks were caught up in this. However this took time to unfold, and banks, unaware of the extent of others' exposure, became reluctant to lend to each other. This drove market rates higher, and caused some banks real problems with their funding. The highest profile casualty to date has been Northern Rock, but the crisis is far from over. There may yet be others.

4.2.4 We are a County Council who invests almost daily in the London Money Market, and so this has caused us to review the risks to which we are exposed. Security of funds is the first objective we list in our lending policy. We aim to ensure this objective is met by the use of credit agencies' ratings, and by limiting the sums we are prepared to lend to counterparties.

4.2.5 There are days however when given the self imposed restraints, we can have real problems in making deposits. There have been for example days during the year when our total deposits have exceeded £300 million, and we have reached our limits with a number of banks. Two ways to overcome this would have been either to

increase the credit limits, or to reduce the credit ratings we look for in the deposit taker. In the current climate, neither of these was thought to be the solution.

- 4.2.6 Instead we have sought to extend our exposure to the Building Society sector, which has the main advantage that societies are funded primarily by their savers (members) and not by the wholesale money market. Indeed this is a requirement set down by statute.
- 4.2.7 Although the overall sums invested in the form of term deposits is little changed: down slightly year on year (2007 £256m ; 2008 £241m), we have both changed the sector exposure, and spread the investments over an increasing number of counterparties.
- 4.2.8 As you can see from the following table, we have doubled the number of Building Societies where we have funds deposited, and this sector is now the major home for our surplus funds. The % is of the term deposits by value.

| <b>Term Deposits</b> |                   |    |                   |    |
|----------------------|-------------------|----|-------------------|----|
|                      | <b>March 2007</b> |    | <b>March 2008</b> |    |
|                      | No.               | %  | No.               | %  |
| <b>Banks</b>         | 11                | 61 | 9                 | 42 |
| <b>Bldg Socs</b>     | 8                 | 39 | 16                | 58 |

- 4.2.9 We have been able to take advantage of the credit situation by locking in to market rates in longer periods, and in doing so have lengthened the maturity profile of our deposits. A year ago the average maturity of our deposits at the year end was 165 days, but this year this it is 202 days. This is a tactic that we will continue to employ for as long as the current situation lasts, and it will ensure that the benefits to the Council will continue long after normality is re-established.
- 4.2.10 Liquidity was ensured by the introduction of call account facilities (linked to Base Rate), and the continued use of two money market funds, rather than using short term fixed deposits
- 4.2.11 All lending was carried out in accordance with the Treasury Management Strategy Statement and with institutions on the list of approved counter parties. There were no breaches of credit limits.

#### 4.3 *Prudential Indicators*

- 4.3.1 The Council stayed within its Borrowing limits, and kept to its lending indicators.

## **5 Interest Rates 2007/08**

- 5.1 Base Rate started the year at 5.25%, but by the summer had reached 5.75% by way of two one quarter percent increases. It stayed at this level until December when it was cut to 5.50%. One further decrease was agreed in March 2008, to leave the Rate at the end of the year at 5.25%.
- 5.2 Of more significance this year was the way in which short term market rates moved. Here the key rate is LIBOR (London Interbank Offer Rate). This is the rate at which banks lend to each other. Normally it is around ten basis points (0.1%) above the Official (Base) Rate. This year, since the liquidity crises it has been anything up to 100bps or a full one percent above.
- 5.3 PWLB rates (as indicators of where longer term rates were moving) spent the first part of the year at levels higher than we have seen for a number of years. In the second half however they started to come off, and this was particularly so at the shorter end of the range. This has changed the cost of borrowing such that it used to be up to 1% cheaper to borrow in longer periods rather than say for five years. Now the interest rates are very similar.

## **6 Comparison of performance against other Local Authorities**

- 6.1 **In order to compare treasury performance against other local authorities, we will compare our 2007/08 data to results from the IPF Treasury Management and Debt Management Benchmarking Clubs.**
- 6.2 We have continued to meet with staff from other authorities in order to share knowledge and best practice.

## **7 Prospects for 2008/09**

- 7.1 Already this year we have seen one further cut in Base Rate to 5.00%, but individual members of the Monetary Policy Committee have signalled that there is more to come.
- 7.2 The advance borrowing for capital spending, together with slippage in the Capital Programme has contributed to very healthy cash balances. As and when Money Markets return to normal, short term rates are expected to fall. However the fact that we have locked in to longer term periods at current rates will help us to achieve the 5% return used in the budget.
- 7.3 Long term rates have now settled in to a quite narrow range (4.45% to 4.55%), but they are expected to move higher as we move through the year, particularly so if inflation becomes an issue. Rates at the shorter end of the PWLB range, influenced by money market rates, are expected to fall. This is where we are likely to borrow in 2008/09. This will not only reduce the average cost of our debt, but also address the issue of the maturity profile, where we will seek to reduce the re-financing risk caused by having a profile weighted too much at the longer end.
- 7.4 The Treasury Strategy has been agreed, and our objectives remain the same. Priority will be given to achieving the Council's budget and to improving our performance against benchmarks, but without risking any loss of capital invested.

## Financial Health Indicators

Devon County Council has agreed a set of data that it will use to gauge fundamental matters of financial health and standing. Suitably, these will be monitored and reported to Members on a quarterly basis.

| Purpose                            | Indicator  | Responsible Officer | Target 2008/09 | Actual 2007/08 | Actual 2006/07 |
|------------------------------------|--|---------------------|----------------|----------------|----------------|
| Speed with which invoices are paid | Percentage of undisputed invoices which were paid within 30 days   | Andy Stapley        | 96             | 95.49          | 94.92          |
| Effectiveness of debt recovery     | Percentage of total debts outstanding, that are older than three months, against the total sundry debt raised in the year - corporate debt                         | Chris Phillips      | 1.50%          | 1.40%          | 2.55%          |
|                                    | Percentage of total unsecured debts outstanding, that are older than three months, against the total sundry debt raised in the year - client finance services debt | Chris Phillips      | 2.00%          | 2.40%          | 7.39%          |
|                                    | Percentage of total debts outstanding, that are older than three months, against the total sundry debt raised in the year - pension fund debt                      | Chris Phillips      | 3.50%          | 3.05%          | 2.90%          |
|                                    | Percentage of the cost of debt recovery against debt older than three months   | Chris Phillips      | 5.50%          | 5.80%          | 5.20%          |
| Achievement of efficiency savings  | Annual Efficiency Statement Forecast (£'000s)  | Mark Gayler         | £14.664m       | £14.475m       | £15.975m       |
| Accuracy of budgets                | Management of Revenue Budget - year end variation from final total net budget  | Chris Sanders       | £100k          | £77k           | £71k           |
|                                    | Management of Capital Budget - year end variation from final approved budget   | Susan Deaney        | £10m           | £23.449m       | £11.956m       |
|                                    | Cost of Capital Financing as % of Net Revenue Budget required for the year   | Susan Deaney        | 12%            | 7.89%          | 8%             |
| Levels of reserves and balances    | Level of earmarked reserves as a % of the annual budget requirement (excluding budget carry forwards)  | Chris Sanders       | 12%            | 12.90%         | 12.20%         |
|                                    | Level of unallocated reserves as a % of the annual budget requirement (excluding budget carry forwards)  | Chris Sanders       | 3.20%          | 3.40%          | 3.60%          |
|                                    | School Balances as % of Delegated Schools Budget for the year  | Dave Richards       | 2.80%          | 3.00%          | 2.90%          |
|                                    | Number of school balances exceeding approved limits  | Dave Richards       | 25             | 25             | 27             |
| Performance of Internal Audit      | Percentage of planned audits undertaken against the number in the plan   | Pete Job            | 94%            | 91%            | 94%            |
| Cash Performance and Security      | Investment return better than 7 day LIBID (London Inter Bank Bid Rate -measured in basis points)   | Jeff Mohun          | +5             | +27 (prov)     | +6             |
|                                    | Liquidity of funds to cover expenditure without need for temporary borrowing   | Jeff Mohun          | 98% of days    | 100%           | 100%           |