

**Revenue & Capital  
Outturn 2008/2009**



**2008/09 REVENUE & CAPITAL OUTTURN**  
**Report of the Director of Finance**

**Recommendations : It is recommended that:**

- (i) Members note that the draft outturn for 2008/09, after carry forwards and contributions to balances, reserves and provisions, shows an underspend of £43,000 against the approved revenue budget;
- (ii) The 2008/09 revenue outturn be approved, including transactions on special funds and provisions, spending against budget, treatment of over and underspending and the implications for balances, as set out in the Tables;
- (iii) The 2008/09 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 6 of the Capital Outturn Report be approved;
- (v) A total of £24.291m is set aside from revenue resources as provision for credit liabilities (to repay debt);
- (vi) The total monies owing to the Council as at 31<sup>st</sup> March 2009 be noted;
- (vii) 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 Committee. Rules are well established, including carry forward arrangements, which ensure that spending is properly managed throughout the year and thus unnecessary year-end spending at the year end avoided.
- 1.2 Management by members and officers has secured a balanced year-end spend and provided limited resources for carry forward arrangements. An underspend of £43,000 is shown in the attached tables. This is a good result given the significant pressure on the vital services that the County Council provides and the well documented economic and financial upheaval during the period. The County Council has not been immune from the challenges brought about by these difficulties.
- 1.3 In economic terms 2008/09 has been unprecedented. In previous years the County Council has been able to rely on the income gained from investments being well in excess of the budget. Many economic forecasters were predicting interest rates of 5-5.5% for 2008. Instead there have been dramatic falls in interest rates and the short term outlook is still very uncertain. Although the County Council will continue to benefit from some favourable fixed rate deals previously negotiated the impact of this will gradually reduce as the agreements end. It is clear that the County Council can no longer rely upon the income returns generated by its Treasury Management activities. A further impact of the economic downturn is that a significant squeeze on public expenditure, including that for local authorities is certain from 2010/11. In addition the Boundary Committee review of Local Government in Devon will make recommendations for structural change to local government in Devon in July. In short

this is the most challenging environment that has been faced by the Council for some time. The management of the outturn process has aimed to place the County Council in as advantageous a position as possible to cope with these challenges.

## 2 **Spending**

### 2.1 **Children and Young People's Services**

In total the budgets for Children and Young People's Services underspent by £13.960m of which £13.579m related to expenditure funded from the Dedicated Schools Grant (DSG). Legislation requires that any schools under or overspending must be carried forward to the following financial years to be used by schools. Hence this sum is being carried forward into 2009/10.

In terms of non schools services, spending pressures were reported throughout the year in areas such as services for Children and Families where fair access to carer's breaks and an increase in special needs residential and fostering placements led to budgets being exceeded. However, it was recognised that these would be counter-balanced by savings elsewhere mainly found from management action to hold vacancies and delay initiatives. As a result the CYPS Directorate has ended the year with a small underspending of £381,000.

- 2.2 In addition to the statutory carry forward for schools and DSG related items, carry forwards are sought in respect of youth and community initiatives, preventing violence in schools, support for the Learning Skills Council Pilot Project and for developing proposals for the Atkinson Unit. In total these amount to £380,000. Hence the CYPS Directorate is seeking to carry-forward most of its non-schools underspending. It is also seeking to transfer £220,000 to reserves relating to the surplus made by Devon Education Services and funding unused by the Youth Offending partnership budget.

### 2.3 **Environment, Economy and Culture**

2008/09 was not just an exceptional year in terms of changing economic circumstances; it was also exceptional in terms of the weather experienced in the County. Highway maintenance budgets overspent by just over £4.3 millions and the main cause of this was sustained adverse weather conditions that led to the need for additional gritting and increased reinstatement works. This overspending was partly offset by an underspending on Waste Disposal, vacancy savings and a surplus on the On-Street parking account. The Directorate ended the year with an overspending of just under £1.4m.

It is the policy of the Council to meet the costs for extreme weather conditions from reserves, should the budget prove insufficient. It is recommended that £3.5m from reserves is used for this purpose. The County Council has a statutory duty to carry forward the balance on the on-street parking account to the 2009/10 financial year. It is recommended that a reserve is set up to achieve this. Other smaller carry forward requests for the Transport Asset Management Plan and the modernisation of library facilities totalling £261,000 are also requested.

### 2.4 **Adult and Community Services**

The Adult and Community Services Directorate finished the year with an underspending of £3.1m. The main component of this is a "planned" underspending of £2.5 millions in relation to extra care housing. Approval is sought to add this to an earmarked reserve for extra care housing. Work is underway to review the use of Council's residential homes for older people in line with strategies to increase the provision of extra care housing in Devon.

The Directorate has also benefited from the transfer of responsibility for clients to the Devon Primary Care Trust under NHS continuing Healthcare guidance. Other underspendings have arisen from vacancy savings and the delayed implementation of some provisions of the Mental Capacity Act. A carry forward of £445,000 to deliver continuing projects in relation to older people, disability services, supporting people and

the Mental Capacity Act is requested.

2.5 Chief Executives, Finance & IT and Personnel & Performance

Central directorates produced a combined underspend of £1.3m. There were however a few areas where budgets were not able to contain spending pressures. In the Chief Executive's Directorate there were increased mortuary, post-mortem and analysts fees. In the Personnel and Performance Directorate there was increased spending on human resource activities. Central Directorates are seeking to carry forward £844,000 of the underspending into 2009/10.

2.6 Other Items

Interest from investment secured additional income of £1.4m with capital financing charges producing an under spend of £2.8 m. Capital Financing charges are less than anticipated mainly due to slight slippage in the Capital Programme and the fact that no new additional borrowing has been undertaken to fund the programme. The year end position on income from investments is slightly better than was anticipated although not so good as in previous years. The impact of the dramatic interest rates falls seen in the second half of the financial year has been cushioned by the advantageous rates achieved from earlier agreements. The beneficial impact of this will gradually reduce as the agreements come to an end. Treasury Management is considered in detail in Appendix 2.

The largest item of note relates to the one-off costs of successful Job Evaluation appeals. These are shown in the outturn summary at £13.637m. This is a far greater cost than was anticipated in 2007/08. From this sum, £5.564m is being met in 2008/09 and this cost has been accommodated by lower than anticipated contributions to earmarked reserves. The regulations that govern Job Evaluation Settlements allow for the financing of the payments to be met in the year in which they are made. Hence the remainder of this cost is being carried forward into 2009/10. An application has been made for a capitalisation order to meet part of this cost in 2009/10 but it is by no means certain that the application will be successful. In the event that it is not, funding to meet the cost falling in 2009/10 will need to be identified and this will not be easy to do.

2.7 The level of debt owed to the Council is subject to regular monitoring. The position at the end of the financial year is set out in Appendix 1.

3 General Balances

3.1 A review of the risk assessment level when the 2009/10 Budget was prepared indicates that the Council should hold working balances around the £14m level.

3.2 Working balances at 31<sup>st</sup> March 2008 were £14.196m. As a result of outturn, it has been possible to make a further contribution of £43,000, bringing the level at year-end to £14.239m.

4 Earmarked Reserves

4.1 At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at just under £54m. During the year, budgeted and other contributions have been made to earmarked reserves and some spending has taken place. The net effect has been to decrease earmarked reserves by just over £6m. Details of the purpose of each fund and the management arrangements are included in the pages that follow.

4.2 The fall in the level of earmarked reserves was anticipated when the 2009/10 Budget was prepared. At that time it was forecast that the level of earmarked reserves retained at 31 March 2009, excluding school and other service carry forwards would be £40.8m. The result shown in the tables accompanying this report indicates that after taking into account the funding requirement for job evaluation appeals the value of earmarked reserves available is £40.8m.

- 4.3 The support afforded to the budget for 2009/10 means that earmarked reserves may fall below £30m by 31 March 2010. Interpretation of the Chancellor of the Exchequer's Budget Report made in April confirms that a squeeze on public sector spending is inevitable. Additional efficiency savings will be required in 2010/11 over and above the level already published. It is difficult to foresee any growth in local authority grant funding in the next settlement period between 2011/12 and 2013/14. In such an environment the need to painstakingly manage the use and level of reserves is paramount if financial stability is to be preserved.
- 4.4 In addition to the pressure on budgets the County Council has a responsibility to ensure that it has sufficient reserves to manage emergencies, whether or not there is a valid expectation that for the worst emergencies support from the Government may be available. The latest guidance recommends that local authorities should continue to make arrangements to bear the cost of recovery for all but the most exceptional of emergencies. Emergencies that would require financial cover would include widespread flooding and extreme winter weather conditions, but could extend to financial market failures of the type experienced by some local authorities in 2008.
- 4.5 The medium term financial strategy (MTFS) will be reviewed during the summer. Part of that review will focus on the adequacy and future use of reserves. Consideration will be given to using the flexibility available within existing balances to create a new reserve of sufficient size to meet the cost of emergencies should they arise.

## 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 2008/09 against critical financial measures, together with comparative figures for 2007/08. Targets for 2009/10 are also indicated and performance against these will be reported to the Chief Executive throughout the year.

## 6 **Conclusion**

The Outturn Strategy has produced a satisfactory result for 2008/09 with provision being made to carry forward a number of unspent budgets and monies set aside for some specific purposes. If all results, recommendations and tables are accepted, the overall recommended outturn for 2007/08 will be £485.854m, being £43,000 under budget. Members and officers will need to continue to closely monitor budgets in 2009/10 to ensure that the budget is delivered and that calls on reserves are kept to a minimum.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

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<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

Executive Member: Councillor John Clatworthy



## REVENUE OUTTURN SUMMARY 2008/09

	Final Approved Budget	Spending	Variations (Under) / Over
	(1) £'000	(2) £'000	(3) £'000
1 Children and Young People - Schools*	11,884	(1,695)	(13,579)
2 Children and Young People - Non Schools	115,179	114,798	(381)
3 Environment, Economy & Culture	111,128	112,513	1,385
4 Chief Executive's	15,033	14,321	(712)
5 Finance & IT	12,016	11,572	(444)
6 Personnel & Performance	6,498	6,597	99
7 Adult and Community Services	181,626	178,507	(3,119)
8 Building Maintenance	1,826	1,598	(228)
<b>TOTAL FOR DIRECTORATES</b>	<b>455,190</b>	<b>438,211</b>	<b>(16,979)</b>
9 Budget Carry Forward Fund	(17,745)		17,745
Adjustments to provisions			
10 Staffing transition	0	13,637	13,637
11 Bad debts	0	92	92
12 Insurance	0	322	322
13 Capital Financing Charges	54,119	51,334	(2,785)
14 Investment Income on Balances	(12,141)	(13,577)	(1,436)
Levies and Contributions to Outside Bodies			
15 Environment Agency	223	220	(3)
16 Devon Sea Fisheries	348	349	1
17 Direct Revenue Support for Capital	66	59	(7)
18 Fixed asset disposal costs	0	76	76
19 Re-classified capital expenditure	0	1,624	1,624
20 Contributions to Earmarked Reserves	5,837	3,457	(2,380)
21 Other receipts	0	(2,156)	(2,156)
22 Contribution to Trading Units	0	746	746
<b>Sub Total</b>	<b>485,897</b>	<b>494,394</b>	<b>8,497</b>
23 Routine Spending from Earmarked Reserves	17,446	10,298	(7,148)
24 Routine Use of Earmarked Reserves	(17,446)		17,446
<b>25 TOTAL</b>	<b>485,897</b>	<b>504,692</b>	<b>18,795</b>

\* This is the net budget for schools, expenditure of £396m in addition to this is funded by dedicated school grant and the Learning and Skills Council

**REVENUE OUTTURN SUMMARY 2008/09**

<b>Recommended Action</b>					
C/Fwd to 09/10 from 08/09	Take to / (from) Reserves	Recommended Outturn	(Increase)/ Decrease in Balances		
(4)	(5)	(6)	(7)		
£'000	£'000	£'000	£'000		
13,579		11,884	0	Children and Young People - Schools*	1
380	220	115,398	219	Children and Young People - Non Schools	2
261	(2,361)	110,413	(715)	Environment, Economy & Culture	3
317		14,638	(395)	Chief Executive's	4
300		11,872	(144)	Finance & IT	5
0		6,597	99	Personnel & Performance	6
445	2,500	181,452	(174)	Adult and Community Services	7
227		1,825	(1)	Building Maintenance	8
<b>15,509</b>	<b>359</b>	<b>454,079</b>	<b>(1,111)</b>	<b>TOTAL FOR DIRECTORATES</b>	
(17,745)		(17,745)	0	Budget Carry Forward Fund	9
	(8,073)	5,564	5,564	Adjustments to provisions	
		92	92	Staffing transition	10
		322	322	Bad debts	11
				Insurance	12
		51,334	(2,785)	Capital Financing Charges	13
		(13,577)	(1,436)	Investment Income on Balances	14
				Levies and Contributions to Outside Bodies	
		220	(3)	Environment Agency	15
		349	1	Devon Sea Fisheries	16
		59	(7)	Direct Revenue Support for Capital	17
	(75)	1	1	Fixed asset disposal costs	18
	(1,776)	(152)	(152)	Re-classified capital expenditure	19
	2,380	5,837	0	Contributions to Earmarked Reserves	20
	881	(1,275)	(1,275)	Other receipts	21
		746	746	Contribution to Trading Units	22
<b>(2,236)</b>	<b>(6,304)</b>	<b>485,854</b>	<b>(43)</b>	<b>Sub Total</b>	
		10,298	(7,148)	Routine Spending from Earmarked Reserves	23
	(10,298)	(10,298)	7,148	Routine Use of Earmarked Reserves	24
<b>(2,236)</b>	<b>(16,602)</b>	<b>485,854</b>	<b>(43)</b>	<b>TOTAL</b>	<b>25</b>

**REVENUE OUTTURN 2008/09**
**WORKING BALANCES**

	Balance 1st April 2008 (1)	Contrib'ns (2)	Spending (3)	Balance 31st March 2009 (4)
	£'000	£'000	£'000	£'000
1 Working Balances	14,196			
2 Contribution from Revenue Budget - budgeted				
3 External Support for Revenue Spending		485,897		
4 Net Revenue Spending			(485,854)	
<b>5 Total County Fund</b>	<b>14,196</b>	<b>485,897</b>	<b>(485,854)</b>	<b>14,239</b>

**EARMARKED RESERVES**

	Balance 1st April 2008 (1)	Contrib'ns from Budget (2)	Contrib'ns from Outturn (3)	Contrib'ns / Movements Other (4)	Spending (5)	Balance 31st March 2009 (6)
	£'000	£'000	£'000	£'000	£'000	£'000
1 Affordable Housing	1,653				(424)	1,229
2 Blighted Properties	200					200
3 Building Maintenance	604				(170)	434
4 Customer Access Strategy	658				(242)	416
5 Development Fund	2,150					2,150
6 Devon Cleaning and Catering	559				288	847
7 Emergency	102					102
8 Energy & Water Efficiency	55				5	60
9 Energy Conservation	200					200
10 European / Matched Funding	423	350		59	(321)	511
11 Extra Care Housing	6,646		2,500	(32)	(150)	8,964
12 Financing Fund	745			(58)	(248)	439
13 Inspection / Implementation	78					78
14 Insurance	4,000					4,000
15 Integrated Youth Support Service	0		100			100
16 Invest to Save	0	2,000			(708)	1,292
17 Local Authority Business Grant	3,732			516	(830)	3,418
18 Local Initiatives	300				(172)	128
19 LPSA2 Pump Priming	5,489			301	(1,917)	3,873
20 Modernisation Fund	2,752	826	120	381	(1,671)	2,408
21 New Road & Street Works Act Fund	439					439
22 On Street Parking	0		1,129			1,129
23 PFI Sinking Fund	2,402				(903)	1,499
24 Prior Year Tax	100					100
25 Procurement Initiative	250				(34)	216
26 PSA Reward	1,113				(294)	819
27 Redundancy	4,060				(369)	3,691
28 Redundant Landfill Sites	554			(75)		479
29 Roads Emergency	1,110		(1,110)			0
30 Service Development Fund	10,199			(1,918)	(1,781)	6,500
31 Systems Development Fund	28	281			(173)	136
32 Trading Accounts	2					2
33 Transition Fund	989			(989)		0
34 Waste Management Fund	2,364			(144)	(184)	2,036
	<b>53,956</b>	<b>3,457</b>	<b>2,739</b>	<b>(1,959)</b>	<b>(10,298)</b>	<b>47,895</b>
35 Schools Carry Forward	11,884		12,559		(11,884)	12,559
36 Non Schools Carry Forward	5,861		2,950		(5,861)	2,950
	<b>17,745</b>	<b>0</b>	<b>15,509</b>	<b>0</b>	<b>(17,745)</b>	<b>15,509</b>
<b>Total</b>	<b>71,701</b>	<b>3,457</b>	<b>18,248</b>	<b>(1,959)</b>	<b>(28,043)</b>	<b>63,404</b>

**ADJUSTMENT ACCOUNT**

Equal Pay Back Pay	0	(7,084)	(7,084)
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REVENUE OUTTURN 2008/09

FUNDING REVENUE SPENDING

	£'000	£'000
1 Total revenue spending		485,854
2 Budget Variation added to balances		43
<b>3 Budget level</b>		<b><u>485,897</u></b>
<b>4 Financed by -</b>		
5 Revenue Support Grant	17,752	
6 Area Based Grant	35,129	
8 National Non-domestic Rates redistributed	127,524	
9 Council Tax - precepts on District Councils	305,492	
<b>10 Total financing</b>		<b><u>485,897</u></b>

PROVISIONS

	Provision B/ Forward	Changes in 2008/09	Provision Remaining 31st March 2009	Recommended Action Increase / (Decrease) in provision	Provision for 2009/10
	£'000	£'000	£'000	£'000	£'000
1 Bad & Doubtful debts provision	701	(35)	666		<b>666</b>
Insurance Fund					
2 Prior to 01/04/98	548	(19)	529		<b>529</b>
3 From 01/04/98	9,554	1,266	10,820	322	<b>11,142</b>
4 Out of date cheques	168	5	173		<b>173</b>
5 ACC Pensions	90		90		<b>90</b>
6 Staff transition	2,291	(2,291)	0	8,846	<b>8,846</b>
7 Economy	0	35	35		<b>35</b>
8 Social Care	100	45	145		<b>145</b>
9 Property Related	695	(37)	658		<b>658</b>
10 Waste Management	318	(16)	302		<b>302</b>
11 Devon Cleaning and Catering	71	(71)	0		<b>0</b>
12 Trading Accounts	378	(96)	282	435	<b>717</b>
13 Legal liability	25	(25)	0		<b>0</b>
14 Youth Offending Training	0	102	102		<b>102</b>
<b>Total</b>	<b><u>14,939</u></b>	<b><u>(1,137)</u></b>	<b><u>13,802</u></b>	<b><u>9,603</u></b>	<b><u>23,405</u></b>

REVENUE OUTTURN 2008/2009 - 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) £'000	(2) £'000	(3) £'000	(4) £'000		(5) £'000		(6) £'000	
				Schools	Non-Schools	Schools	Non-Schools		
<b>Dedicated Schools Grant Related Expenditure</b>									
<b>Schools Budget</b>									
Nursery	626	590	(36)	36				626	
Primary	175,494	167,863	(7,631)	7,631				175,494	
Secondary	181,942	177,685	(4,257)	4,257				181,942	
Special	14,202	13,567	(635)	635				14,202	
Other DSG Related Expenditure	36,008	34,537	(1,471)	1,020					35,557
sub total DSG	408,272	394,242	(14,030)	13,579				372,264	35,557
Dedicated Schools Grant	(369,087)	(368,636)	451					(333,079)	(35,557)
Learning and Skills Council	(27,301)	(27,301)						(27,301)	
	(396,388)	(395,937)	451					(360,380)	(35,557)
<b>Total DSG</b>	<b>11,884</b>	<b>(1,695)</b>	<b>(13,579)</b>	<b>13,579</b>				<b>11,884</b>	
<b>CYPS Directorate</b>									
Policy and Strategy	13,057	12,460	(597)		10				12,470
Access	30,654	30,089	(565)						30,089
Grants and Special Education	10,873	10,640	(233)		80		120		10,840
sub total	54,584	53,189	(1,395)		90		120		53,399
<b>Youth, YOTS &amp; Community</b>	<b>14,076</b>	<b>13,791</b>	<b>(285)</b>		<b>173</b>		<b>100</b>		<b>14,064</b>
<b>Children and Families</b>									
Management	19,889	19,656	(233)		117				19,773
Children in Need	4,500	5,034	534						5,034
Looked After Children	11,864	13,099	1,235						13,099
Resources	3,235	3,209	(26)						3,209
Other	7,031	6,820	(211)						6,820
<b>COMMITTEE SPENDING</b>	<b>127,063</b>	<b>113,103</b>	<b>(13,960)</b>	<b>13,579</b>	<b>380</b>		<b>220</b>	<b>11,884</b>	<b>115,398</b>
Statutory Carry Forwards			13,579						
Over/(under) spending after statutory carry forwards			<u>(381)</u>						
<b>SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND</b>									
<b>DSG Related Expenditure</b>									
Statutory Schools carry forward on Delegated Budget								(12,559)	
DSG funded central services								(732)	
Independent Special Schools								(636)	
Early Years								(103)	
Unallocated DSG contingency								451	
Reduced DSG Grant received due to decrease in pupil numbers									
<b>CYPS Budget</b>									
<b>Policy and Strategy</b>									
Savings arising from management action including staffing, delayed investment and contingency									(468)
Savings from unused redundancy contingency									(58)
Unused DCCS provision written back into revenue									(71)
<b>Access</b>									
CYPS buildings strategy including investment in the Ringswell Campus and Capital Court									219
One off income from shared use of buildings with external agencies									(281)
Policy change in moving from directly employed to contractor escorts									(95)
One off income from Bus Services Operators Grant (recovery of duty paid on PSV fuel)									(113)
Savings arising from management action including staffing and delayed investment and contingency									(295)

## REVENUE OUTTURN 2008/2009 - RECOMMENDED ACTION

## Children and Young People's Services Committee

VARIATIONS (CONTINUED)	£'000	£'000
<b>Grants and Special Education</b>		
Delay in starting Raising Achievement Programme		(83)
Devon Education Service surplus		(120)
Savings arising from management action including staffing and other delayed investment		(30)
<b>Youth and Community</b>		
YOTS provision written back into revenue		(100)
Underspend on centrally managed youth budgets		(98)
Youth Offending Team - Partnership pooled budget & other YOT projects		(242)
Student Finance JE related overspend		155
<b>Children and Families</b>		
Management and Support/Care Management		
Unfunded secure placements offset by higher income from Atkinson unit		42
Vacancy savings		(275)
Children in Need		
Higher than expected take up of Fair Access to Carers Breaks		534
Looked After Children		
Mainstream - Growth in external fostering		100
Special Needs - increased expenditure in Family Care Workers scheme		210
Increase in placements for special needs in external residential and fostering settings		847
Other mainstream in year pressures		78
Resources		
Business Resources - staffing savings		(26)
Other		
Delay in starting corporate mentoring programme partly offset by increased social worker costs arising from career paths and JE reviews		(21)
Savings on adoption fees		(173)
Management vacancy savings & other savings		(17)
<b>TOTAL</b>		<b><u>(13,960)</u></b>
<b>CARRY FORWARD PROPOSAL (as col. 4 opposite)</b>		
Statutory Carry Forward for Schools	13,579	
<b>Youth, YOTS &amp; Community</b>		
YSMART contract		119
Youth Offending Partnership funding transfer to reserves (Partnership funding)		54
<b>Others</b>		
Policy & Strategy: Preventing Violent Extremism schools toolkit		10
Grants & Special Education - LSC Pilot Project		80
Care management: Atkinson Unit - redevelopment of business model		117
	<b><u>13,579</u></b>	<b><u>380</u></b>
<b>CONTRIBUTION TO / (FROM) SPECIAL FUNDS</b>		
Devon Education Services		120
YOTS unused provision to become Integrated Youth Support Service Reserve as approved by Joint Chief Officers Group		100
		<b><u>220</u></b>
<b>CONTRIBUTION TO / (FROM) WORKING BALANCES</b>		
		<b><u>(219)</u></b>

**REVENUE OUTTURN 2008/09 - RECOMMENDED ACTION**

**ENVIRONMENT, ECONOMY AND CULTURE DIRECTORATE**

	Final Approved Budget	Unadjusted Spending	Variations (Under) / Over	Recommended Action Carry Fwd (Clawback) in 2009/10	To (From) Special Funds	Final Outturn
	(1) £'000	(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000
Highway Management	47,179	51,487	4,308	150	(3,490)	<b>48,147</b>
Area Offices	6,374	6,449	75			<b>6,449</b>
On-Street Parking	1,197	68	(1,129)		1,129	<b>1,197</b>
Spatial Planning	1,458	1,466	8			<b>1,466</b>
Development Management	1,558	1,712	154			<b>1,712</b>
Public Transport and EATS	7,238	7,307	69			<b>7,307</b>
Waste Disposal and Recycling	29,343	27,693	(1,650)			<b>27,693</b>
Business Management	305	242	(63)			<b>242</b>
Economy	2,391	2,158	(233)			<b>2,158</b>
Culture	1,771	1,713	(58)			<b>1,713</b>
Libraries	10,099	9,994	(105)	111		<b>10,105</b>
Countryside & Heritage Services	2,215	2,224	9			<b>2,224</b>
<b>Directorate Revenue Outturn</b>	<b>111,128</b>	<b>112,513</b>	<b>1,385</b>	<b>261</b>	<b>(2,361)</b>	<b>110,413</b>

**VARIATIONS BETWEEN BUDGET AND SPEND**

£'000

Highway Management

Additional spend on safety defects, winter gritting and storm damage 4,308

Area Offices

Savings on staffing offset by additional agency costs and reduced income 75

On-Street Parking

Surplus accrued for future investments including Civil Parking Enforcement and supporting Park and Ride (1,129)

Spatial Planning

Savings on staffing offset by additional support 8

Development Management

Vacancy and operational savings offset by reduced fee income 154

Public Transport and Engineering and Transport Services (EATS)

Overspend due to higher than expected bus subsidies and increased Fare Cars patronage 69

Waste Disposal Contracts

Underspend due to decrease in tonnages and slippage in the build programme for Energy from Waste plan (1,650)

Management and Support

Underspend due to delays in special project expenditure (63)

Economy

Underspend primarily due to vacancy savings (233)

Culture

Underspend due to reduced grant payments (58)

Libraries

Expenditure in support of the Modernisation Programme planned for 2009/10 (105)

Countryside & Heritage Services

Additional spend on essential operational costs 9

**1,385**

**CARRY FORWARD PROPOSALS / TRANSFER TO SPECIAL FUNDS (as column 4 & 5 above)**

**Carry Forward Proposals**

Highways Management

Transport Asset Management - DfT grant specifically for development of TAM plan 150

Culture

Library and Information Service - Modernisation Projects 111

**Transfer to / (from) Special Funds**

On Street Parking 1,129

Additional spend on safety defects, winter gritting and storm damage (3,490)

**(2,100)**

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

**715**

REVENUE OUTTURN 2008/09 - RECOMMENDED ACTION

ADULT AND COMMUNITY SERVICES DIRECTORATE

	Final Approved Budget	Unadjusted Spend	Variations (Under) / Over	Recommended Action Carry Fwd (Clawback) in 2009/10	To (From) Special Funds	Final Outturn
	(1)	(2)	(3)	(4)	(5)	(6)
	£'000	£'000	£'000	£'000	£'000	£'000
Older People and Disability Services	107,467	106,978	(489)	144		107,122
Mental Health Services	9,800	10,119	319			10,119
Learning Disability Services	43,553	44,287	734	100		44,387
Finance & Business Support	15,526	14,624	(902)			14,624
Strategic Planning & Commissioning / Supporting People	2,780	2,499	(281)	201		2,700
<b>Total before Extra Care Housing</b>	<b>179,126</b>	<b>178,507</b>	<b>(619)</b>	<b>445</b>	<b>0</b>	<b>178,952</b>
Extra Care Housing	2,500	0	(2,500)		2,500	2,500
<b>NET BUDGET</b>	<b>181,626</b>	<b>178,507</b>	<b>(3,119)</b>	<b>445</b>	<b>2,500</b>	<b>181,452</b>

**SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND**

£'000

The outturn position for Older People & Disability, Mental Health and Learning Disability includes certain one-off benefits, most importantly in respect of the transfer of responsibility for clients to the PCT under NHS continuing healthcare guidance. For 08/09 this totalled approximately £1.7m over and above £1.9m already removed from budgets. When preparing budgets for 09/10, virements in respect of these additional savings have been actioned to create a budget for investment in preventative services.

**Older People & Disability Services**

(489)

It should be noted that without the "one-off benefits" referred to above, the underlying position for older people and disability would have been an overspend of £0.351m, constituting 0.33% of the net budget and reflecting great efforts to contain spending while minimising impact on service delivery.

**Mental Health Services**

319

DCC continues 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 again required in order to balance the budget, and despite great efforts to contain spending, an overspend (3.25% of net budget) is reported.

**Learning Disability Services**

734

In line with national trends, spending pressures within this service remain high. These represent new clients, including children reaching the age of 18 and those leaving education up to the age of 24, in addition to other people whose care arrangements have broken down or whose needs have increased. Costs of individual packages of care can be very high, reflecting the complexity of the individual's needs. Although the financial recovery plan introduced in 06/07 continues to assist in damping these pressures, an overspend representing 1.68% of the net budget is reported. In addition, without the one-off savings mentioned above, this overspend would have been £2.34m (5.37% of net budget). The service undoubtedly faces considerable challenges in containing spend in the face of rising demands, and further plans are being developed to further contain the pressures on spending next year and in the future.

**Finance & Business Support**

(902)

Savings in Business Resources staffing costs as a result of vacancies held pending the outcomes of the Support Service Review and reorganisation of administrative support to operational services. In addition, savings resulting from reduced internal insurance recharges and reduced IT charges/increased income.

**Strategic Planning & Commissioning/Supporting People**

(281)

Primarily due to savings in respect of the Mental Capacity Act budget, which provides a legal framework to ensure that adults are supported in making their own decisions wherever possible and, where they lack the capacity to do so, their rights and best interests are upheld. A carry forward in respect of this is requested to fulfil the authority's statutory obligation for Deprivation of Liberty Safeguards (DoLS). In addition, other small variations including savings in relation to supporting people administration, where a £33k carry forward is requested to further develop the service.

**Extra Care Housing**

(2,500)

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. Work is under way to review the use of the Council's residential homes for older people in line with strategies to increase the provision of Extra Care Housing in Devon.

(3,119)

**CARRY FORWARD PROPOSALS**

**Older People & Disability Services: Telecare Project - Funding of unspent grant required for continuation of project.**

144

**Learning Disability Services: Investment in Person Centred Planning (PCP) to enable implementation of the In Control and Personalisation agenda and Valuing People Now objectives.**

100

**Strategic Planning & Commissioning / Supporting People**

Supporting People Admin Grant - The cost of meeting the new challenges and achieving essential business requirements

33

Mental Capacity Act - Establish and administer the statutory requirements for Deprivation of Liberty Safeguards (DoLS)

168

445

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

Extra Care Housing (see above)

2,500

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

174

**FURTHER MANAGEMENT ACTION**

Continued rigorous control of spending will be needed in all areas through integrated operational management arrangements

REVENUE OUTTURN 2008/9 - RECOMMENDED ACTION

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

	Final Approved Budget	Unadjusted Spending	Variations (Under)/ Over	<i>Recommended Action</i> Carry Fwd To (From) (Clawback) Special in 2009/10 Funds		Final Outturn
	(1)	(2)	(3)	(4)	(5)	(6)
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's Directorate						
Chief Executive	4,716	4,795	79	0	0	4,795
Legal Services	0	(45)	(45)	0	0	(45)
Business Transformation Unit & Facilities Management	1,635	1,228	(407)	0	0	1,228
County Farms	(234)	(304)	(70)	70	0	(234)
Community Safety	4,673	4,658	(15)	0	0	4,658
Other Services	4,243	3,989	(254)	247	0	4,236
	15,033	14,321	(712)	317	0	14,638
Building Maintenance	1,826	1,598	(228)	227	0	1,825
Personnel & Performance Directorate	4,653	4,922	269	0	0	4,922
Customer Service Centre	1,845	1,675	(170)	0	0	1,675
	6,498	6,597	99	0	0	6,597
Finance, IT & Trading Directorate						
Finance	2,209	2,019	(190)	63	0	2,082
ICT / E-gov	7,344	7,173	(171)	172	0	7,345
Devon Procurement	1,115	1,068	(47)	65	0	1,133
Other Services	1,348	1,312	(36)	0	0	1,312
	12,016	11,572	(444)	300	0	11,872
	35,373	34,088	(1,285)	844	0	34,932
<b>SIGNIFICANT VARIATIONS BETWEEN BUDGET AND SPEND</b>						£'000
Chief Executive - increased cost of external affairs unit, including Court of Appeal costs (Boundary Commission) and Napoli disaster						79
Legal Services - savings in staffing, including support costs and other overheads						(45)
Business Transformation Unit / FM - additional income (improvements & efficiencies funding, corporate health & safety training), increased NPS discounts and savings / delays in corporate projects						(407)
County Farms - delayed maintenance projects						(70)
Community Safety - Trading Standards : savings in respect of staffing, establishment expenses and printing						(87)
- savings in staffing costs / venues (new ways of working) (Registrars), savings in staffing and projects (Emergency Planning)						(129)
- Increased mortuary, post mortem and analysts fees. Similarly increase cost in respect of Plymouth / Torbay coroners fees (Coroners)						201
Other Services : delayed County Committee commissioning projects, match-funded partnership projects and despatch vehicle replacement						(254)
Building Maintenance - delayed corporate surveys (energy & sustainability) and slippage in respect of building maintenance programme						(228)
P&P - increased cost of HR and Personnel services, partly offset by increased income (temps & advertising)						269
Customer Service Centre - net savings in staffing (vacancies)						(170)
Finance - savings in staffing (vacancies), delays in systems development projects and increased income						(190)
Information Systems / Strategy - delays in infrastructure development, software replacement and other corporate projects						(171)
Devon Procurement - reduced discounts offset by delayed spend in respect of Area based grant projects						(47)
Other Services (F&ITT):						
- Net savings in Audit fees and Director of Public Health						(36)
						(1,285)
<b>CARRY FORWARD PROPOSALS</b>						£'000
County Farms - delayed maintenance projects						70
Other Services - delayed County Committee commissioning projects						71
- delayed replacement of despatch franking machines						40
Partnerships - delayed contribution to partnership projects (match funded)						136
R&M - backlog of maintenance works						227
Finance - delayed development project in respect of Client Finance Services (mobile financial assessments)						22
- Devon Audit Partnership (joint working set-up costs)						41
ICT - new network						150
- delayed contribution to partnership projects						22
Procurement - delays project (Area Based Grant)						65
						844
<b>CONTRIBUTION TO/(FROM) SPECIAL FUNDS</b>						
None						0
						0
<b>CONTRIBUTION TO WORKING BALANCES</b>						441

**REVENUE OUTTURN 2008/9 - RECOMMENDED ACTION**

**CHIEF EXECUTIVE'S AND RESOURCES - TRADING ACCOUNTS**

	Gross Turnover in 2008/9	(Profit)/ Loss in 2008/9	Total Accumulated Balances at 31/3/09	Specific Reserves Represented by :		Recommended distribution to/(from) Working Balances
	(1) £'000	(2) £'000	(3) £'000	(4) Assets £'000	(5) Cash £'000	(6) £'000
Supply Zone	1. 5,784	210	210	0	0	(210)
Devon Design & Print	1,116	100	100	0	0	(100)
	<u>6,900</u>	<u>310</u>	<u>310</u>	<u>0</u>	<u>0</u>	<u>(310)</u>
RECOMMENDATIONS		Contribution to / (from) Working Balances				<u>(310)</u>
<p>1 Supply Zone - includes gross turnover on direct delivery.</p>						

Reserve	Purpose	Approval to Use of Reserve	Management & Control	Timetable for Review	Proposed Balance as at 31.3.09 £000	Forecast Income 2009/10 £000	Forecast Expenditure 2009/10 £000	Proposed Balance as at 31.3.10 £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>14,239</b>			<b>14,239</b>
<b>EARMARKED RESERVES</b>								
<b>Specific Contingency Reserves</b>								
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	479		397	82
Redundancy Fund	Reserve to cover redundancy costs of restructuring	The Executive	D of FIT	Bi-annual	3,691	1,000	2,000	2,691
Insurance	Reserve to cover insurance claims in excess of the levels experienced and provided for	The Executive	D of FIT	Bi-annual	4,000		3,300	700
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		100	339
Blighted Properties	Reserve to meet the cost of blighted properties	The Executive	County Environment Director	Bi-annual	200		150	50
Waste Management Fund	To make provision for funding new facilities to meet EU Landfill Directives.	The Executive	County Environment Director	Bi-annual	2,036		509	1,527
Sub Total					11,023	1,000	6,456	5,567
<b>Reserves Held for Planned Developments</b>								
Local Initiatives	Reserve held to fund local initiatives and community development	The Executive	Exec Member	Bi-annual	128	364	186	306
European Funding / Matched Funding	Reserve to provide matched funding for Externally Funded projects.	The Executive	Exec Member	Bi-annual	511	350	567	294
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	136			136
Service Development	Reserve held to promote service developments	The Executive	D of FIT	Bi-annual	6,500	1,150	2,169	5,481
Procurement Initiative	Reserve held to fund corporate initiatives to improve procurement procedures across the authority	The Executive	D of FIT	Bi-annual	216		216	0
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	60	5	10	55
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	416	500	240	676
Financing Fund	Fund held to support the capital strategy	The Executive	The Executive	Bi-annual	439	1,500	1,500	439
Modernisation Fund	Fund for modernisation of County Council Services	The Executive	D of FIT	Bi-annual	2,408	3,779	4,249	1,938
Affordable Housing	Fund held to finance projects jointly agreed with Districts.	The Executive	D of FIT	Bi-annual	1,229		1,170	59
Extra Care Housing	To fund housing for vulnerable adults	The Executive	D of FIT	Bi-annual	8,964	2,500	4,750	6,714
LPSA 1 Reward Grant	To pump prime and provide one off support for new development.	The Executive	D of FIT	Bi-annual	819		197	622
LPSA 2 Reward Grant	To pump prime and provide one off support for new development.	The Executive	D of FIT	Bi-annual	3,873		3,873	0

Reserve	Purpose	Approval to Use of Reserve	Management & Control	Timetable for Review	Proposed Balance as at 31.3.09 £000	Forecast Income 2009/10 £000	Forecast Expenditure 2009/10 £000	Proposed Balance as at 31.3.10 £000
Lets Get Devon Moving		The Executive	The Executive			500	500	0
Response to the Economic Downturn		The Executive	The Executive			250	250	0
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	3,418		1,463	1,955
PFI Sinking Fund	To manage the payments and income relating to the Exeter Schools PFI Scheme	The Executive	D of FIT	Bi-annual	1,499	22	883	638
Invest to save (CYPS)		The Executive	D of FIT	Bi-annual	1,292		1,292	0
Integrated Youth Support Service		The Executive	Exec Member	Bi-annual	100			100
Sub Total					34,460	10,920	23,515	21,865
<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		847		250	597
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	Annual	2			2
Building Maintenance	Fund held in respect of schools building maintenance.	D of FIT	D of FIT	Annual	434		61	373
On Street Parking		D of EEC	D of EEC	Annual	1,129			1,129
Sub Total					2,412	0	311	2,101
<b>TOTAL EARMARKED RESERVES</b>					<b>47,895</b>	<b>11,920</b>	<b>30,282</b>	<b>29,533</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	2,950		2,950	
School Balances	Net unspent balance of budgets delegated to schools	N/A	N/A	N/A	12,559			

**Non Cashed Backed Reserves Held**

Equal Pay Back pay	Reserve required for accounting purposes not "cash backed".	N/A	N/A	Annual	-7,084			-7,084
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**ALLOWANCES PAID TO DEVON COUNTY COUNCILLORS UNDER THE MEMBERS ALLOWANCES SCHEME  
FOR THE YEAR ENDING 31ST MARCH 2009**

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

<b>Surname</b>	<b>Inits</b>	<b>Basic Allowance</b>	<b>Special Responsibility Allowance</b>	<b>Mileage and Subsistence Expenses</b>
		£	£	£
HOBDEN	SM	10970.04	16455.00	812.56
FOGGIN	OM	10970.04	0.00	0.00
WESTLAKE	R	10970.04	0.00	431.99
NEWCOMBE	W	10970.04	5484.96	706.74
OWEN	J	10970.04	0.00	89.27
HANNAFORD	R	10970.04	2742.96	0.00
SPENCE	SM	10910.88	5484.96	4760.10
BROCK	PJ	10970.04	0.00	0.00
LEADBETTER	AR	10970.04	0.00	0.00
BUTTON	DG	10970.04	2742.96	364.90
CONNETT	A	3748.10	0.00	0.00
BERMAN	BH	5485.20	8227.50	477.84
BROOK	FJ	10970.04	0.00	193.87
HUGHES	BCJ	10970.04	0.00	0.00
WAY	NA	10970.04	10970.04	1677.84
TAYLOR	B	10970.04	0.00	771.99
WRAGG	EE	10970.04	2742.96	1454.93
GILES	AR	9594.00	0.00	134.29
LEE	MR	10970.04	0.00	1335.20
CLATWORTHY	J	10970.04	0.00	1143.71
CHANNON	C	10970.04	10970.04	5858.46
HUGHES	S	10970.04	10970.04	1903.32
BRAY	CJ	10970.04	8228.04	972.25
SMITH	JN	10970.04	21939.96	10029.73
BARKER	SD	10970.04	10970.04	0.00
TURNER	ME	10970.04	2742.96	1168.96
BERRY	EJ	10970.04	0.00	584.71
MORGAN	SA	10970.04	8228.04	576.91
COX	DN	10970.04	5484.96	1273.74
NICHOLSON	JB	10970.04	0.00	117.35
HOOK	GN	10970.04	5484.96	1730.39
HANNON	DPO	10970.04	16455.00	4190.93
ROGERS	MA	10970.04	16455.00	3988.42
BOOTE	RW	10970.04	0.00	0.00
COOK	PL	10970.04	8228.04	1722.57
FRY	A	10970.04	5484.96	2239.37
RADFORD	RF	10970.04	0.00	702.39
PENNINGTON	JT	10970.04	0.00	1318.22
MARSH	C	10970.04	0.00	514.91
YABSLEY	JO	10970.04	0.00	1166.99
HULL	DRH	10970.04	0.00	1429.86
MCINNES	JR	10970.04	0.00	1064.73
DATE	G	10970.04	2742.96	861.49
HAWKINS	JD	10970.04	0.00	745.20
RAWLINSON	J	10970.04	12340.80	1440.77
CROAD	RF	10970.04	0.00	1087.95
DAY	SJ	10970.04	0.00	2724.09
HOSKING	A	10970.04	2742.96	828.09
CONNELLY	R	10970.04	5484.96	1598.19
MUMFORD	W	10970.04	0.00	0.00
GREENSLADE	BC	10970.04	27425.04	13528.44
SHADRICK	DH	10970.04	0.00	1501.28
HART	TJ	10970.04	16455.00	6134.81
BRAZIL	JC	10970.04	8228.04	2736.11
BARTON	HR	10970.04	15083.84	6141.04
HAYWOOD	CC	10970.04	3252.14	1542.54
TUCKER	FGH	10970.04	2742.96	2613.76
CANN	RS	10970.04	0.00	973.26
FOWLER	GE	10970.04	0.00	1421.90
DAVIS	AV	10970.04	0.00	2278.77
TEMPERLEY	HPN	10970.04	16455.00	8346.58
FORD	LS	10970.04	2742.96	976.22
JENKINS	JA	10970.04	2545.80	0.00

1. SORP 2008 requirements to disclose all payments relating to remuneration of Members, not just those formally described as 'allowances' (N45, p188)
2. No payments were made to Members in respect of Co-optees Allowance
3. Members listed in order of distance from Home to County Hall and return
4. A Carers Allowance of £755 was paid to Cllr. AV Davis

**BUDGET ADJUSTMENTS 2008-09**

	Original Budget £000	2007/08 Br't-fwds. £000	Virements £000	Final Budget £000
<b>COMMITTEE BUDGETS</b>				
Children and Young People				
- Schools	0	11,884		11,884
- Non-school	100,893	563	13,723	115,179
Adult and Community Services	164,231	1,374	16,021	181,626
Environment , Economy & Culture	105,501	1,400	4,227	111,128
Chief Executive's	13,574	1,094	365	15,033
Finance, IT and Trading	10,468	1,142	406	12,016
Personnel & Performance	6,037	140	321	6,498
Building Maintenance	1,678	148	0	1,826
<b>Committee Budget Allocation</b>	<b>402,382</b>	<b>17,745</b>	<b>35,063</b>	<b>455,190</b>
Budget Carry Forward Fund		(17,745)		(17,745)
Capital Financing	54,119			54,119
Interest on Balances	(12,141)			(12,141)
<b>Contributions to reserves</b>				
Redundancy Reserve	1,000			1,000
Invest to Save	2,000			2,000
Matched Funding	350			350
Local Initiatives	114			114
Systems Development	781			781
Customer Access	500			500
Modernisation	1,092			1,092
<b>Precepts</b>				
Flood Defence	223			223
Devon Sea Fisheries	348			348
<b>Non-committee budgets</b>	<b>48,386</b>	<b>(17,745)</b>	<b>0</b>	<b>30,641</b>
<b>Direct Support for Capital</b>	<b>0</b>	<b>0</b>	<b>66</b>	<b>66</b>
<b>TOTAL</b>	<b>450,768</b>	<b>0</b>	<b>35,129</b>	<b>485,897</b>

## PART II CAPITAL

### 1. The Capital Programme

- 1.1 The original 2008/09 Capital Programme was approved at £185.360 million. The programme was increased in year by £20.798 million as a result of previous year's slippage and decreased by £56.825 million for other adjustments that were made to the Capital Programme and approved by members in year. Thus the final Capital Programme for 2008/09 was £149.333 million. Actual capital expenditure was £139.167million – 93% of the programme. The table below gives the capital expenditure budget and expenditure for each Directorate.

	<b>Budget £ million</b>	<b>Actual £ million</b>	<b>Variation £ million</b>
Children and Young Persons' Services	62.940	61.992	-0.948
Environment, Economy and Culture	72.248	70.319	-1.929
Adult and Community Services	5.799	2.331	-3.468
Chief Executives and Resources	5.071	2.243	-2.828
Investing in Devon	3.275	2.282	-0.993
<b>Total</b>	<b>149.333</b>	<b>139.167</b>	<b>-10.166</b>

### 2. What was achieved with Capital investment

#### 2.1 Children and Young People's Services

Primary school projects were completed at Braunton Caen, Broadclyst Exeter Clyst Heath Nursery & Community Primary, Exeter St Davids C of E Primary, Upottery Primary and Withycombe Raleigh C of E Primary, Exmouth. Secondary phase projects include a new lecture theatre in Dartmouth part funded from a successful Targeted Capital Fund bid and improvement projects at The College, Chulmleigh and The Kings School Ottery. In addition a pathfinder Building Schools for the Future (BSF) project started on site in the summer 2008 on Bideford College, which will be used as a template project to inform future potential BSF developments in the County.

A number of phase 2 Children's Centre projects, targeted at providing services for children and families in the 30% most disadvantaged areas, were completed in 2008-09 with centres provided in Kingsbridge, Tiverton, Dartmouth, Great Torrington, Newton Abbot and Holsworthy.

Other investment included the remodelling of Blossom Corner as a discrete Children's Home and new office accommodation at Capital Court to support the office modernisation programme.

Young people have been integral in the prioritisation, allocation and monitoring of Youth Capital Fund with £0.295 million being invested countywide. A new mobile unit has also been provided to further support the delivery of Integrated Youth Support Services in rural areas.

#### 2.2 Environment, Economy and Culture

Maintenance of the highway network has been a prominent theme, with the second financial year of additional funding provided to upgrade the capacity of drainage systems.

Investment has been made by installing lower energy highway lighting, to contribute to reducing the County Council's carbon footprint. Good progress has been made on the remedial works at Bideford Longbridge and Avocet Depot improvement works were completed.

There has been further major investment in cycling, notably through the Exeter Cycle Demonstration Town project, improvements to the "Path to Prosperity" route from Ilfracombe to Plymouth, and good progress on the Lymptone to Exton section of the Exe Estuary Trail and Pilton Cycle Route in Barnstaple.

Public highway and pathway works in Paris/ Sidwell Street and Heavitree were delivered which were joint funded with Exeter City. Other partnership works included completion of the Strand and Square in Barnstaple, Bank/ Wolborough Street in Newton Abbot and Bampton Street in Tiverton.

The Library and Culture Service have been supported by the opening of the new library at the Watermark Centre in Ivybridge and the development of facilities at South Molton as part of the Amory House One Stop Shop Community Information Centre. Work at the new Princetown Library has also been completed and the roll out of self service technology has begun in some library branches.

### 2.3 Adult and Community Services

The £2.3 million capital investment by ACS in 2008-09 included:

- £0.3 million on facilities for learning disability services at sites across the County , mainly centred around community hub buildings in Barnstaple, Exeter, Honiton & Okehampton;
- £0.3 million spent on extra-care housing in Okehampton and adaptations allowing people to remain in their own homes across the county;
- £0.3 million spent on projects to re-model buildings used by the ACS Directorate, including upgrades recommended in external inspection reports;
- £0.3 million spent on facilities for mental health services, including grants paid to independent sector care providers;
- £0.2 million paid to residential care home providers as part of the Care Home Environment for Older People programme, which was funded by grant from the Department of Health;
- £0.2 million on community equipment funded jointly with the Primary Care Trust; and
- £0.1 million on adult & community learning facilities, most of which was spent in Bideford and Totnes.

### 2.4 Corporate Projects

The County Farms Estate Useable Capital Receipts Reserve was used in 2008/09 to fund several major projects. The first of these was the sympathetic restoration of the farmhouse at Lower Alminstone Farm, Wooltery. This work was carried out in accordance with Objective AF7 of Devon's Historic Environment: Role & Action programme 2003. Several other essential schemes were undertaken that improved the infrastructure of the Farm Estate. In terms of the corporate estate, 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. Investment was made in a Biomass Boiler for County Hall as a replacement for a fossil fuel system. This will help the County Council to reduce its Carbon footprint and will aid Economic Regeneration by helping the Biomass industry in Devon.

## 3. **Slippage**

- 3.1 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 an underspending which is normally carried forward to the following financial year.

3.2 The 2008/09 net underspending totals £10.166 million. It is recommended that £8.191 million is carried forward into the 2009/10 Capital Programme. An analysis of the underspending and the carry forward is set out in the table below:-

	<b>Underspend £ million</b>	<b>Carry Forward £ million</b>
Children and Young Persons' Services	0.948	0.739
Environment, Economy and Culture	1.929	1.581
Adult and Community Services	3.468	3.363
Chief Executives and Resources	2.828	1.515
Investing in Devon	0.993	0.993
<b>Total</b>	<b>10.166</b>	<b>8.191</b>

The main reasons for the underspending are explained in the following paragraphs on a Directorate by Directorate basis.

### 3.3 Children and Young People's Services

The underspending and carry-forward request is a very low percentage of the overall Capital Programme of the CYPs Directorate. The main reason for the underspending is a small time delay on the Bideford Community College building programme caused by adverse Weather conditions over the Winter. However, the project is currently being reported as only 1 week behind programme and is on target to be completed on time

### 3.4 Environment, Economy and Culture

Works at Fordton Depot were significantly delayed following a review of drainage outflow and water discharge issues. Consultation with Railtrack, the Environment Agency and other organisations was required, to avoid redesigning the project, resulting in scheme slippage.

Due to changes in the national economic position, and as a result of the scale of investment, partners in the Science Park Management Company have reviewed the business plan, to ensure that the project remains viable. As a result, the scheme start has been delayed, with slippage arising.

Works on Industrial Estates at Bideford, Holsworthy, Okehampton, Ilfracombe and Barnstaple was slowed in relation to links to developers and the again, reflecting the national economic climate.

### 3.5 Adult and Community Services

Nearly 60% of the underspending relates to delays in rolling out the Community hubs for the Learning Disabled. Of the eight schemes, three have been seriously delayed in Totnes, Exmouth and Honiton. A further £400,000 relates to delay in the refurbishment of the Victory centre in Exeter.

### 3.6 Corporate Projects

Some new approvals for capital investment in farms were agreed at a late stage in 2008/09 and these projects are at the tender stage but work has not yet started on site. The remaining carry forwards are to cover the outstanding retention payments.

Capital investment on new ways of working (County Hall Car Park, Office Strategy, Hub Centres/flexible working and County Hall Green Travel) planned for 2008/09 has been delayed until 2009/10.

Plans to link the Supplementary Generator at County Hall to the Coaver Club (or purchase a new one for them) are still being refined.

The Compliance and Building Maintenance programme started late in the financial year and consequently was not delivered in its entirety.

#### 4. **Financing the Capital Programme**

4.1 Section 2 of this report explains what has been achieved through the Capital Programme. This part of the report explains how the County Council funds its Capital Programme. The table below sets out how the Council initially planned to finance its capital spending and the actual sources of funding that were used. The last Column shows the funding that will be carried forward into 2009/10.

	<b>2008/09 Final Budget- £ million</b>	<b>2008/09 Final Outturn £ million</b>	<b>Financing Resources Carried Forward £ million</b>
Capital Receipts Applied	7.008	5.104	9.110
Airport Capital Receipt	3.275	2.282	46.286
Supported Borrowing	49.919	48.509	1.410
Unsupported Borrowing	23.121	19.191	11.204
External Grants and Contributions	62.256	62.532	24.275
Direct Revenue or Funds Applied	3.754	1.549	0
<b>Total</b>	<b>149.333</b>	<b>139.167</b>	<b>92.285</b>

4.2 The table refers to supported and unsupported borrowing. This requires further explanation. In line with the Prudential Code, Local Authorities are allowed to borrow in advance to fund future capital expenditure, when conditions on the money markets are favourable and it makes economic sense to do so. The total borrowing required to finance the capital programme in 2008/09 was £67.700 million. However the County Council used its own resources to fund £24.921m of this figure, mainly through the Minimum Revenue Provision – the equivalent of loan Principal Repayment. The resultant balance of £42.767 million was covered by using unused advanced cash borrowing from previous years which totalled £55.393 million. Consequently, £12.626 million advanced cash borrowing remains to be carried forward into 2009/10 to finance the capital programme.

4.3 The capital receipts position is as follows :-

In hand at 1.4.08	£57.535m
Received in Year	£5.247m
Spent in year	-£7.386m
Balance at 31.3.09	£55.396m

The balance at 31<sup>st</sup> March 2009 comprises £2.088million in respect of County Farms, £46.286 million related to Investing in Devon from the sale of Exeter Airport and £7.022 million general capital receipts.

#### 5. **Prudential Indicators**

The prudential indicators are produced in line with the national code of practice that was drawn up by the Chartered Institute of Public Finance and Accountancy. This requires local authorities to monitor its overall debt level via a set of “prudential indicators”, in order to form a judgement about affordable, prudent and sustainable levels of debt.

## 5.1 Capital Expenditure

The Prudential Indicators for 2008/09 were based on the Approved Capital Programme of £185.360 million.

Planned Expenditure	£ 185.360 million
Actual Expenditure	£ 139.167 million
Variance	£ 46.193 million

## 5.2 Capital Financing Requirement (CFR)

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

	Million	Million
Opening CFR		£ 554.246
Capital Investment	£ 139.167	
Less: Capital Receipt	(£7.386)	
Less: Government Grants and Contributions	(£62.532)	
Less: Direct Revenue Financing	(£1.549)	
Capital Investment Funded through Borrowing		£67.700
Less: Minimum Revenue Provision	(£19.545)	
Less: Voluntary Cont. Repayment Debt	(£1.349)	
Less: External Contributions to Repayment of Debt	(£4.039)	
		(£24.933)
Closing Capital Financing Requirement		£597.013
Planned CFR (31 <sup>st</sup> March 2009)	£ 634.856 million	
Actual CFR (31 <sup>st</sup> March 2009)	£ 597.013 million	
Variance	£ 37.843 million	

The underlying need to borrow is less than anticipated due the slippage on the Capital Programme. Under the Prudential Code, except in the short term, borrowing should only be used to finance capital expenditure and the Capital Financing Requirement limit should not be exceeded. The outturn confirms this position.

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

External Debt totals £609.639 million [before adjustments required by Financial Reporting Standard to arrive at the balance sheet values].

The authorised limit for external debt of £736.629 million was not breached.

The operational boundary for external debt of £676.661 million was not breached.

## 5.4 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 9.3% would be applied. Effective treasury management, however, and the level of slippage resulted in less borrowing than anticipated, giving a revised ratio of 7.8%.

Total Financing Costs	£37.703 million
Net Revenue Stream	£485.897million
Percentage	7.8%
Estimated	9.3%
Variance	1.5%

## 6. 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, as outlined in the table shown under paragraph 5.1 and compared to budget, is proposed:

- That central government support to borrowing totalling £48.509 million is used as authorisation to capitalise expenditure.
- That unsupported borrowing of £19.191 million is used to fund expenditure in 2008/09 for capital purposes.
- That expenditure of £62.532 million is capitalised and funded from government grants and external contributions to meet expenditure in 2008/09 for capital purposes.
- That useable capital receipts of £7.386 million are applied to meet expenditure in 2008/09 for capital purposes.
- That remaining capital expenditure of £1.549 million is met from revenue budgets.

This confirms the application of capital financing funds.

## 7. Recommendations

It is recommended that:

1. **the 2008/09 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 6 of the Capital Outturn Report be approved.**
3. **The Prudential Indicators as set out in section 5 of this report are noted.**

Mary Davis

Local Government Act 2003

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Background Papers: Nil

**CAPITAL OUTTURN SUMMARY 2008/09**

	Revised Programme	Total Spending	Slippage and Other Variations	<i>Impact on 2009/10 Programme Increase/ (Decrease)</i>
	(1) £'000	(2) £'000	(3) £'000	(4) £'000
<b>CORE PROGRAMME</b>				
Children and Young People	62,690	61,642	1,048	739
Environment, Economy and Culture	69,797	68,337	1,460	1,113
Adult and Community Services	5,699	2,331	3,368	3,363
Chief Executives and Resources	5,071	2,243	2,828	1,515
Total	143,257	134,553	8,704	6,730
<b>VELP</b>				
Children and Young People	250	350	(100)	0
Environment, Economy and Culture	2,451	1,982	469	468
Adult and Community Services	100	0	100	0
Chief Executives and Resources	0	0	0	0
Total	2,801	2,332	469	468
<b>INVESTING IN DEVON</b>				
Total	3,275	2,282	993	993
<b>TOTAL SPENDING</b>	<u>149,333</u>	<u>139,167</u>	<u>10,166</u>	<u>8,191</u>
<b>TOTAL TO BE FINANCED</b>	<u>149,333</u>	<u>139,167</u>		

	Revised Programme	Total Spending	Slippage and Other Variations	<i>Impact on 2009/10 Programme Increase/ (Decrease)</i>
	£'000	£'000	£'000	£'000
Children and Young People	62,940	61,992	948	739
Environment, Economy and Culture	72,248	70,319	1,929	1,581
Adult and Community Services	5,799	2,331	3,468	3,363
Chief Executives and Resources	5,071	2,243	2,828	1,515
Investing in Devon	3,275	2,282	993	993
	<u>149,333</u>	<u>139,167</u>	<u>10,166</u>	<u>8,191</u>

**CAPITAL PROGRAMME 2008/09 - STATEMENT OF DETERMINATION OF CAPITAL FINANCE**

	Recomended Financing £000	Recomended Financing £000
<b>SOURCES OF FINANCE</b>		
External		
<u>Borrowing</u>		
Supported Borrowing - Single Capital Pot	5,271	
Supported Borrowing - Ring Fenced	43,238	
Unsupported Borrowing	16,898	
Unsupported Borrowing - Loans Pool	<u>2,293</u>	
	67,700	
<u>Total Borrowing</u>		67,700
<u>Other External Finance</u>		
Grants and Contributions		62,532
 Total External Sources		 130,232
Internal		
Useable Capital Receipts Applied	7,386	
Committee Revenue Budgets, Funds and Provisions	1,549	
Financing Adjustments	<u>8,935</u>	
	8,935	
 Total Internal Sources		 8,935
 <b>Total Sources of Funding</b>		 <u><u>139,167</u></u>

<b>Capital Receipts</b>	
Balance at Start of Year	57,535
Received During Year	5,247
Applied to Financing	(7,386)
Applied to Debt	
<b>Balance at Year End</b>	<u><u>55,396</u></u>

Note

Analysis of capital receipts at the year end	
Airport receipts earmarked for IID	46,286
Farms earmarked receipts	2,088
General receipts	<u>7,022</u>
	<u><u>55,396</u></u>

**Debt (Monies Owed to the Authority) as at 31<sup>st</sup> March 2009**

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 the telephone and the internet.

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 accounts and actually pay outstanding cash to the Council.

The County Council has a number of debtor systems which encompass Adult Care functions, Devon Pensions Fund items and Corporate services.

As at 31<sup>st</sup> March 2009, the situation was as follows :-

	Corporate System	Adult Care Functions	Devon Pension Fund	Total
Total Invoiced Income for the Year	£128.010 million	£30.496 million	£8.075 million	£166.581 million
Outstanding debt older than 3 months	£3.706 million	£3.573 million	£0.026 million	£7.305 million
Percentage of Debt which is older than 3 months relative to whole year value	2.9%	11.7%	0.3%	4.4%

Within the Adult Care Functions, elements of Residential Care debt are underwritten by property charges. At the year end, these total £2,725,425 and reduce the percentage of outstanding debt to 2.8%.

Invoiced income in respect of Devon Pension Fund is comparatively low in percentage terms and relate to a small number of debtors. However, during the year a relative large value invoice was settled and the resultant debt level is very low when compared to the annual target.

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 £0.075 million.

### Treasury Management Stewardship Report 2008/09

#### 1 Introduction

- 1.1 The purpose of this 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 agrees Prudential Code 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, and the operation to the Investment Manager and his staff.

#### 2 Treasury Strategy and Objectives

- 2.1 The major objectives for 2008/09 were:

*Borrowing Objectives:*

- to fund the capital programme in the most cost effective manner.
- to borrow funds forward for future years of the capital investment plan only if interest rates are attractive
- any 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.

### 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 During the Budget process, the following Borrowing Limits were set for 2008/09

- Maximum borrowing during the period (Authorised Limit) £736.6m
- Expected maximum borrowing during the year (Operational Boundary) £676.7m
- Maximum amount of fixed interest exposure (as a percentage of total) 100%
- Maximum amount of variable interest exposure (as a percentage of total) 30%

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

	1 April 2008 £m	31 March 2009 £m
<b>Borrowing</b>		
<b>All Long term</b>		
Public Works Loan Board	518.1	518.1
Market loans (LOBOs)	<u>91.5</u>	<u>91.5</u>
Sub total	<b>609.6</b>	<b>609.6</b>
<b>Lending</b>		
Variable rate	12.5	30.0
Fixed rate	<u>240.1</u>	<u>157.8</u>
Sub total	<b>252.6</b>	<b>187.8</b>
<b>Net Position</b>	<b>357.0</b>	<b>421.8</b>

[Figures in the above table are before adjustments required by Financial Reporting Standard to arrive at the balance sheet values].

## 4 Treasury Outturn for 2008/09

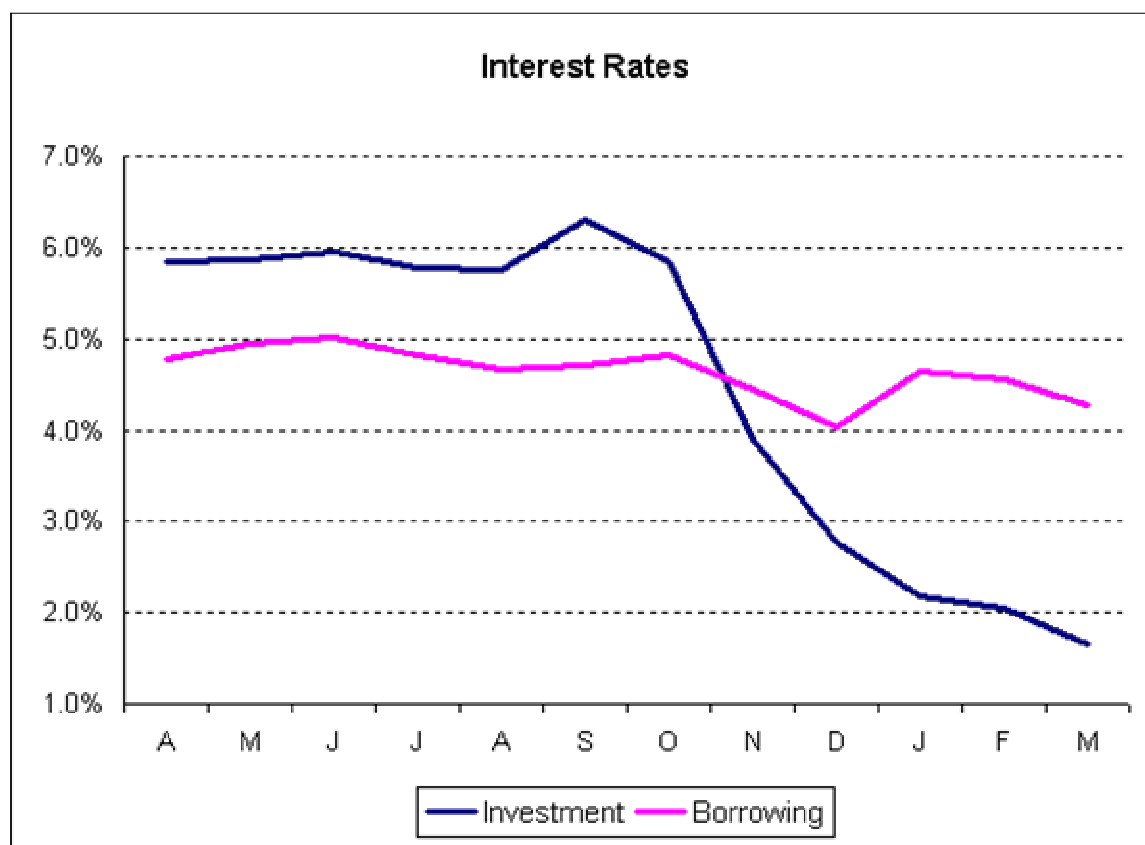
### 4.1 Borrowing

4.1.1 Levels of liquidity during the year were such that only limited short term borrowing was required. There were no outstanding sums at the end of the period.

4.1.2 No Long-Term borrowing was undertaken at all. It had been envisaged that the Debt portfolio would have increased by a net £38 million during the year, (new borrowing less repayments), but given the turmoil in the financial markets, the emphasis changed from funding the Capital Programme through borrowing, to one of using Revenue Monies. In essence, using maturing cash investments to fund the capital spending.

4.1.3 At a time of falling investment rates to levels below those of new borrowing, this was a better use of resources. It also had a second benefit in reducing the Council's exposure to risk in its lending policy, albeit that a very prudent approach was already in being.

4.1.4 The changes in investment and borrowing rates are illustrated.



The rates are those expected for a three month cash investment, or to borrow funds for a period of twenty five years from the Public Works Loan Board.

As can be seen, whereas short term investment rates have fallen dramatically, the cost of new funding has remained at between 4% and 5% for the whole year.

4.1.5 As there were no rate changes to loans in the existing portfolio, the average rate of all borrowings remains at 5.09%.

4.1.6 There were no opportunities to economically reschedule or repay debt during the year, but this remains an ongoing objective and this policy was recently set out in the Treasury Management Strategy report (CR/09/10) approved by the Executive on 21 May 2009. This established that the County Council would:

(a) delay taking new borrowing to finance capital expenditure as long as possible by using money otherwise invested short term with financial institutions.

(b) take advantage of the limited opportunity to pay back borrowing where there would not be a significant financial penalty and where liquidity and market conditions allow, providing that the transactions are triggered when the interest rate on the borrowing to be repaid is at or above the Council's forecast long term borrowing rate.

(c) fill gaps in the maturity profile if any new borrowing is needed to finance capital expenditure.

## 4.2 *Lending*

4.2.1 Revenue lending during the period, including the use of Call Accounts, Money Market Funds, and the Government's Debt Management Office, earned interest of £13.6 million, on an average balance of £264 million. An investment return of 5.5% was achieved in 2008/09 against a budget target return of 5%, even allowing for the collapse of rates at the latter part of the period.

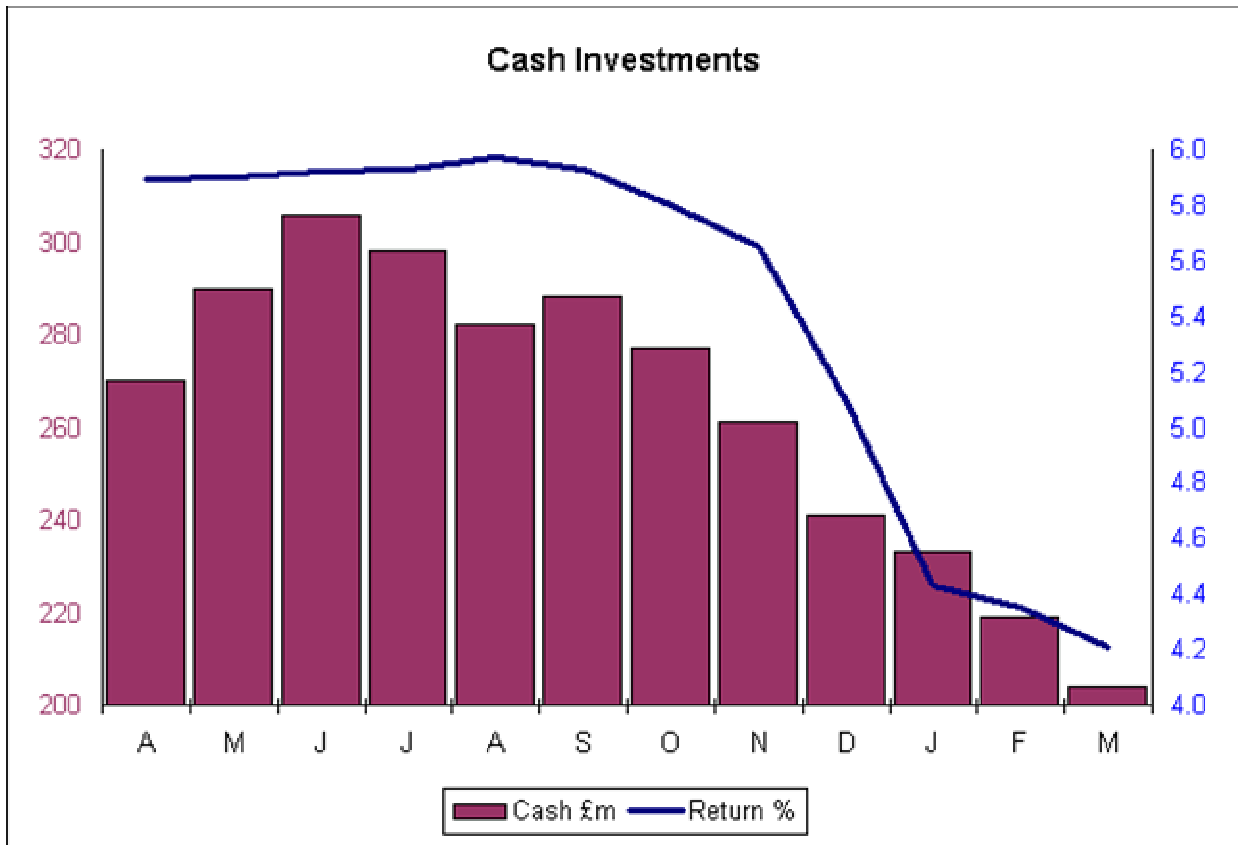
4.2.2 The fallout from the so called 'credit crunch' was evident throughout the period, but even more of a factor was the global economic downturn, and the policies adopted by Governments around the world to help alleviate it. The measures taken, cutting 'official' rates, and injecting money into the markets, had the effect of reducing market rates in the second half of the year.

4.2.3 The County Council invests almost every day in the London Money Market, and the unfolding events caused closer scrutiny, of the risks to which the Council is exposed. Security of funds is the first objective in its lending policy and to ensure this objective is met credit agency ratings are used to assist both officers and members judgement in limiting the sums which the Council is prepared to lend to counterparties.

4.2.4 This year further restrictions to the list of counterparties has been made. These are exceptional times, and although it is currently prudent to take such measures, it does come at a cost to the Council in the form of a fall in interest receipts. The budgeted income for 2008/09 was met, but only by decisions made in the early part of the year to lock in to the then prevailing high rates.

4.2.5 There is no better an illustration of the relationship between risk and reward than the Government's Debt Management Office, which was used for cash investments in the latter part of the year. Returns are fully guaranteed by Government, but produced an average return of just 1.6% and this was only achieved by re-investing daily, thus increasing the cumulative return.

4.2.6 As referred to earlier (para 4.1.2) the levels of cash investments have fallen in the second part of the year, to pay for capital spending. Also over the period the average monthly return has fallen in line with short-term rates, albeit that given the relatively long maturity profile of our lending means that we benefiting from a lagging effect, but this will disappear as fixed term deposits come to an end.



4.2.7 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 The Audit Commission Report – ‘Risk and return’

5.1 The collapse of the Icelandic banks in October 2008 highlighted the role of Treasury management in local authorities. One hundred and twenty-seven authorities were affected, and together their investments totalled £954 million. Devon’s Treasury Management Strategy and prudent lending policy ensured that the Council was not one of them.

5.2 The Audit Commission produced a report in March 2009, which made a number of recommendations to Central Government and CIPFA, as well as Local Authorities. The Council will comply with those addressed to Authorities and with any revised Code of Practice issued by CIPFA following its review of the findings.

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

- 6.1 In order to compare treasury performance against other local authorities, the Council will compare its 2008/09 data to results from the IPF Treasury Management and Debt Management Benchmarking Clubs. This however will not be available for some time, for reference in 2007/08 Devon achieved a return of 5.85% comparing favourably to its peer group (of County Council's) return of 5.75%
- 6.2 Officers have continued to meet with staff from other authorities in order to share knowledge and best practice.

## **7 Prospects for 2009/10**

- 7.1 The budget for interest receivable has been reduced from 5% in 2008/09, to just 2% for 2009/10. Some of the longer-term positions already taken will offer some protection in what will be a lower rate environment over the next few years, but it will be a challenge. Short term investment rates are not thought likely to pick up until the end of the year, or early into next year, when the economy is seen to be turning around.
- 7.2 The borrowing strategy for the current financial year was approved by the Executive at its meeting of 21 May 2009 and is set out in section 4.1.6 of this report.

## 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	Provisional 2009/10 Targets	Target 2008/09	Qtr 1 Actual	Qtr 2 Actual	Qtr 3 Actual	Actual 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	96	88.94%	88.01%	89.96%	89.73%	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%	1.50%	4.89%	2.54%	1.73%	2.90%	1.40%	2.55%
	Percentage of total unsecured residential debts outstanding, that are older than three months, against the total sundry debt raised in the year - client finance services debt	Chris Phillips	2.70%	2.50%	2.89%	3.50%	2.95%	2.80%	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	1.00%	3.50%	3.63%	0.67%	0.38%	0.30%	3.05%	2.90%
	Percentage of the cost of debt recovery against debt older than three months	Chris Phillips	4.00%	5.50%	n/a until year end	n/a until year end	n/a until year end	3.70%	5.80%	5.20%
Achievement of efficiency savings	Annual Efficiency Statement Forecast (£'000s)	Mark Gayler	N/A	£14.664m	£7.214m	£8.659m	£11.256m	N/A	£17.028m	£15.975m
Accuracy of budgets	Management of Revenue Budget - year end variation from final total net budget	Chris Sanders	-£100k	-£100k	£310k	-£60k	£1,186k	-£43k	-£77k	-£71k
	Management of Capital Budget - year end variation from final approved budget	Gordon Bryant	-£5m	-£10m	-£40m	-£2m	-£9m	-£11.791m	-£23.449m	-£11.956m
	Cost of Capital Financing as % of Net Revenue Budget required for the year	Gordon Bryant	12%	12%	n/a until year end	n/a until year end	n/a until year end	8.40%	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	5%	12%	12%	12%	9%	10%	12.90%	12.20%
	Level of unallocated reserves as a % of the annual budget requirement (excluding budget carry forwards)	Chris Sanders	2.80%	3.20%	3.10%	3.10%	3.10%	2.90%	3.40%	3.60%
	School Balances as % of Delegated Schools Budget for the year	Nicola Allen	2.80%	2.80%	n/a until year end	n/a until year end	n/a until year end	3.50%	3.00%	2.90%
	Number of school balances exceeding approved limits *	Nicola Allen	43	25	n/a until year end	n/a until year end	n/a until year end	45	25	27
Performance of Internal Audit	Percentage of planned audits undertaken against the number in the plan	Martin Gould	94%	94%	16%	34%	58%	94%	91%	94%
Cash Performance and Security	Investment return better than 7 day LIBID (London Inter Bank Bid Rate -measured in basis points)	Barry White	+5	+5	+88	+89	+197	+182 (prov)	+27 (prov)	+6
	Liquidity of funds to cover expenditure without need for temporary borrowing	Barry White	98% of days	98% of days	95.2%	98.5%	100.0%	92.1%	100%	100%

\* the definition of balances changed in-year to reflect DCFS practice and include Standards Fund monies