

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
23RD JANUARY 2017

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 8 2016/17

1. Introduction

- 1.1 This report is the standard monthly financial performance monitoring report, which sets out the summary revenue budget position for the Council and its individual directorates for the first 8 months of 2016/17, i.e. the period to 30th November 2016, together with an outlook for the remainder of the year. The report is complemented with an assessment of performance to date of balances and reserves, income collection, the Council's latest Capital Programme and statements relating to Cash Flow Summary and Balance Sheet Summary.

2. Report Format

- 2.1 Separate reports have been prepared for each of the Council's core areas of responsibility:
- Appendix 3a - Chief Executive
 - Appendix 3b - Governance and Partnership Services
 - Appendix 3b/c - Ward Budgets
 - Appendix 3d - Resources
 - Appendix 3e - Places
 - Appendix 3f - Strategic Leisure Assets
 - Appendix 3g - Community and Environmental Services
 - Appendix 3h - Adult Services
 - Appendix 3i - Children's Services
 - Appendix 3j - Public Health
 - Appendix 3k - Budgets Outside the Cash Limit.

These incorporate summary financial statements which continue to be prepared on a full accruals basis and focus on the forecast revenue outturns for 2016/17. There is an accompanying narrative to explain any areas of significant variance from budget and to highlight any areas of potential pressure along with action plans agreed with service managers to address them.

2.2 The combined effect of the directorates' financial performances is aggregated in a summary financial statement at Appendix 1 which mirrors the Council's Revenue Budget Book and reflects the disestablishment of the Deputy Chief Executive's Directorate with teams moving to other directorates. This summary allows proactive month-on-month monitoring of the Council's forecast working balances to be undertaken to ensure appropriate and prudent levels are maintained. Appendix 2 highlights on a 12-month rolling basis those services which trip the designated overspending reporting threshold.

3. Directorates' Budget Performance

3.1 As a supportive measure to give services every chance to deliver a break-even budget, the Executive agreed at its meeting on 23rd May 2016 to write-off all service overspends and carry forward the 2015/16 underspends of £279k on Ward Budgets (£246k), Governance and Partnership Services (£19k) and Community & Environmental Services (£14k).

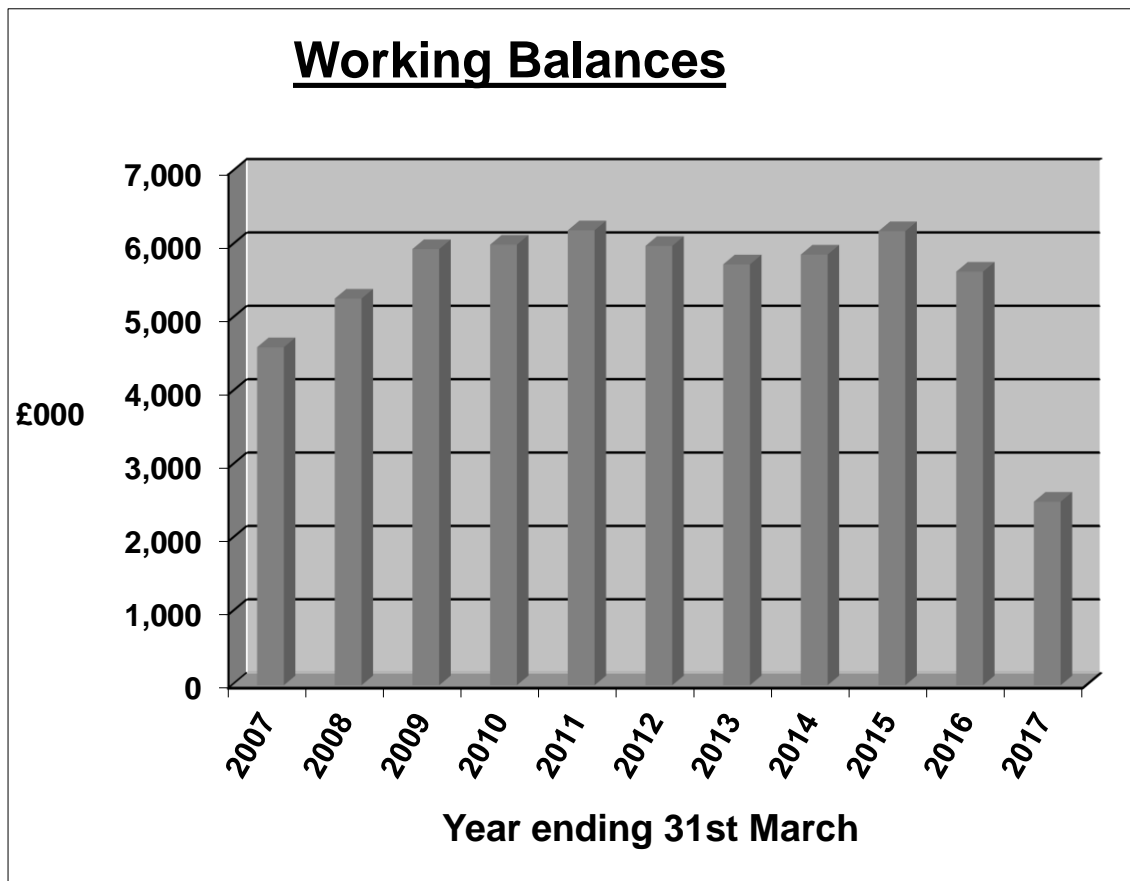
3.2 The impacts of directorates' revenue budget performance and progress in achieving planned savings fall upon the Council's working balances. The main areas accounting for the month 8 forecast overspend of £3,135k for 2016/17 are summarised below:-

Directorate	Service	Forecast Variance £000
Children's Services	An overspend of £4,453k is forecast. Children's Social Care is forecast to overspend by £4,534k, £3,407k is due to increases in the numbers by over 10% in the last year to 503 and average placement cost of Looked After Children (LAC), £650k is due to a shortfall in meeting the challenging 2016/17 Priority Led Budgeting (PLB) savings target of £1,222k arising from the ongoing implementation of the review recommendations and £270k is due to legal and court costs and other miscellaneous overspends of £207k. There are overspends in Lifelong Learning and Schools of £154k due to increased demand and the Education Services Grant of £83k due to the anticipated loss of funding arising from in-year academy conversions. These are mitigated by savings of £338k in Early Help for Children and Families. A number of solutions to try and mitigate the above pressures are being explored and implemented. Expressions of interest for three innovation bids totalling £5.1m were submitted to the Department for Education (DfE) in July, which proposed new ways of working in partnership with neighbouring authorities as well as local providers and partners to support children with complex and therapeutic needs. At least two of the bids were unsuccessful however bids will be submitted to a further round of innovation funding. Work is also taking place in-house to redesign and strengthen services, including the creation of the Vulnerable Adolescent Hub which will offer a single point of contact for young people, and the conversion of one of our children's homes into an adolescent support unit, or 'crash-pad', which will both support young people on the edge of	4,453

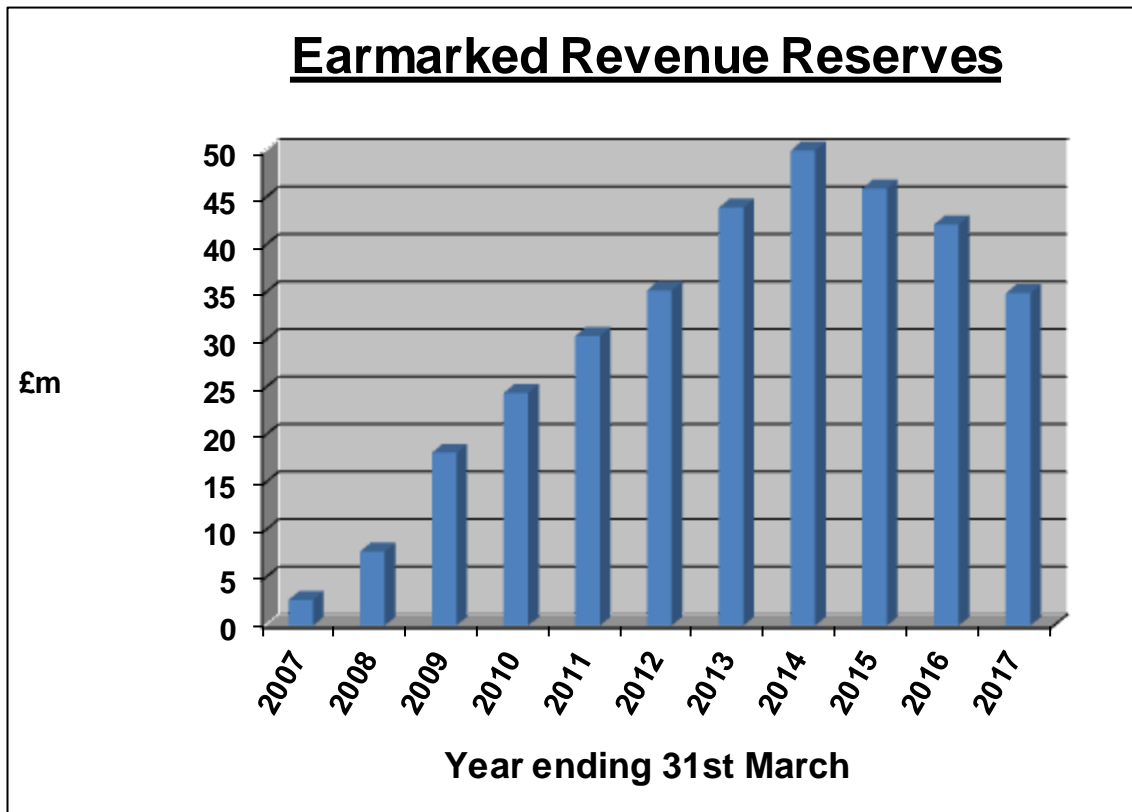
	care and provide short-term crisis care. In addition, now that the division's internal reviews are nearing completion, there will be a refocus of the Children's Commissioning Team on the local provider market, in an attempt to drive down placement costs. The Council's Internal Audit Department recently carried out a review of external placements (the final report with recommendations is pending), and a review of Children's legal costs is planned.	
Places	An overspend of £417k is forecast. The Illuminations service is forecasting an overspend of £250k due to increased costs and poorer than expected income. Print Services is forecasting an overspend of £100k due to an income pressure that is currently under review. Other pressures are mainly due to prudential borrowing and reduced income.	417
Resources	An overspend of £187k is forecast. Property Services is forecasting a £272k overspend based on the current pace of property rationalisation and pressure from rental income within the Central Business District. This has been mitigated by net savings in other areas of the Directorate.	187
Governance and Partnership Services	An overspend of £64k is forecast. This is due to a combination of service demand and a PLB target which is expected to be met by year-end.	64
Community and Environmental Services	An underspend of £57k is forecast. This is mainly due to cost pressures offset by income savings. The £856k PFI Grant is no longer available and is being considered along with Lancashire County Council in the review of the operation of the recycling plants with the risk being covered against the specific Waste PFI reserve.	(57)
Budgets Outside the Cash Limit	An underspend of £551k is forecast. Concessionary Fares are forecasting a pressure of £499k mainly due to increased bus patronage and the impact of fare increases. Parking Services is £301k down due to a stretched income target of £6,262k. The cost to the Council of supporting the Subsidiary Companies is an underspend of £138k due to the reducing balance payback of prudentially-borrowed schemes. Treasury Management has a £1,203k favourable position due to the ongoing temporary windfall from the short-term interest rates currently being paid to finance recent capital expenditure.	(551)
Adult Services	An underspend of £571k is forecast. Adult Safeguarding is forecasting an overspend of £156k as a result of additional legal and staffing costs, relating to Deprivation of Liberty (DoLs) case law, which is not covered by New Burdens funding of £101k and a pressure of £55k relating to the timing of a staffing restructure in Adults and Children's Safeguarding. These are mitigated by an underspend of £730k on Adult Commissioning Placements due to higher residential income and one-off savings. Other net pressures are due to staffing.	(571)

Strategic Leisure Assets, Contingencies / Reserves	Strategic Leisure Assets is forecasting a £668k pressure. In accordance with the original decision for this programme by the Executive on 7 th February 2011, the projected overspend on Strategic Leisure Assets will be carried forward and transferred to Earmarked Reserves. The forecast accumulative deficit as at 31 st March 2017 is £5,479k. This incorporates the increased debt financing costs associated with the former Tower Lounge development and essential Tower steel structure renewal, together with increased marketing costs and revised income profile and the application of a composite rate to prudential borrowing. The Leisure Assets portfolio is currently forecast to break-even, in-year, during 2021/22. A review of contingencies has released £807k.	(807)
Total		3,135

3.3 The graph below shows the impact on the level of Council working balances in-year together with the last 10 years' year-end balances for comparison:



3.4 Whilst the Council maintains working balances to address any in-year volatilities, it also maintains a number of Earmarked Revenue Reserves for such longer-term commitments as future Private Finance Initiative payments and uncertainties within the new Localised Business Rate system. In order to present a complete picture of the Council's strong financial standing an equivalent graph to the above is shown on the following page:



4. Directorate Budget Savings Performance

- 4.1 As at 30th November 2016 83% of the 2016/17 savings target has already been delivered. The full-year forecast predicts that 88% (90% last month) will be achieved by the year-end, which takes into account anticipated pressures and savings.
- 4.2 The full-year effect of the 2016/17 savings in 2017/18 amounts to 92% of the 2016/17 target which reflects any non-recurrent savings. This excludes any in-year pressures/savings.

5. Collection Rates

5.1 Council Tax

At the end of month 8 the amount collected for Council Tax (excluding Police and Fire precepts) was £32.9m and the collection rate was 68.1%. This compares to £31.3m and 68.8% at the same point in 2015/16. The reduction of 0.7% compared to the previous year equates to £0.3m. The amount collected has actually risen by £1.6m and the movement of £1.9m is mainly due to increases in both the Council Tax rate and base.

In the light of the reductions in discount and the introduction of the Local Council Tax Reduction Scheme the target collection rate is 97.5% over a 4-year collection period as approved on 25th January 2016 as part of the setting of the Council Tax Base for 2016/17.

5.2 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1st April 2013. The Scheme ensures that support to pensioners continues at existing levels. Working-age claimants are means tested to establish entitlement and a percentage reduction (currently 27.11%) is applied at the end of the assessment to establish the level of support provided.

At the end of month 8 the amount collected for Council Tax Reduction Scheme (excluding Police and Fire precepts) for those who have to pay CTRS, either for the first time or in addition to a proportion of their Council Tax, was £1.96m and the collection rate was 45.2%. This compares to £2.00m and 47.1% at the same point in 2015/16 and is the principal cause of the overall collection rate deteriorating.

The likely impact for 2016/17 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2015/16 due to accumulated arrears and limits on the amount that can be recovered from Attachment of Benefits.

5.3 Business Rates

Prior to 1st April 2013 Business Rate income was collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities as part of Formula Grant. From 1st April 2013 the income relating to Blackpool is shared between central government (50%), the Council (49%) and the Fire Authority (1%). Consequential adjustments were made to the Formula Grant equivalent.

At the end of month 8 the amount collected for Business Rates was £36.1m and the collection rate was 66.2%. This compares to £35.8m and 68.1% at the same point in 2015/16. The reduction of 1.9% compared to the previous year equates to £1.0m, though increases in both the Business Rate multiplier and base have made positive contributions of £1.3m. The Council's share of these is 49%.

From April 2014 Business Ratepayers have been entitled to elect to pay by 12 monthly instalments instead of over 10 months. This has allowed businesses more time to pay.

The audited Business Rate cumulative deficit as at 31st March 2016 is £4.58m. The Council's share of this is £2.24m (49%) and provision has been made for this.

6. Capital Monitoring Performance

6.1 All active capital schemes have been included within Appendix 4. The purpose is to present the overall position of capital spend. The schemes are shown individually where total scheme budget is greater than £500k and grouped as "other schemes" otherwise. As in previous financial years the emphasis regarding capital monitoring will be on scheme variance rather than in-year progress since many schemes cross financial years such as the major housing developments. Therefore, some degree of flexibility for the management of slippage is necessary in order to balance the overall capital programme each year to the funding allocations available.

6.2 As at month 8 an overall nil variance on capital schemes is anticipated.

7. Summary Cash Flow Statement

- 7.1 As part of the reporting format for this financial year a summary cash flow statement is included at Appendix 5. This provides a comparison of the actual cash receipts and payments compared to forecast for 2016/17.
- 7.2 During the first 8 months of the year, the Council's net cashflow has resulted in fluctuations in short-term net investment/borrowing balances. However, overall temporary borrowing has increased since 31st March 2016 as long-term loans have reached maturity and as capital expenditure is incurred. The Council is currently using temporary borrowing to finance prudentially funded capital expenditure. While temporary investment rates and temporary borrowing rates are low the treasury team is delaying taking any new long-term borrowing to fund planned capital expenditure. The interest charged by Lancashire County Council on the Local Government Reorganisation Debt is lower than anticipated. As a result, the delay in taking new long-term borrowing and the lower interest charge from Lancashire County Council mean that a favourable credit variance is once again forecast for 2016/17.

8. Summary Balance Sheet

- 8.1 In order to provide a complete picture of the Council's financial performance, Appendix 6 provides a snapshot of the General Fund balance sheet as at the end of month 8. The key areas of focus are any significant movements in debtors, cash and cash equivalents, bank overdraft and creditors, as these impact upon the Council's performance in the critical areas of debt recovery, treasury management and Public Sector Payment Policy.
- 8.2 From 1st April 2016 local authorities were told that they must account for the Highways Network Asset in line with International Accounting Standard 16 *Property, Plant and Equipment*. The Highways Network Asset includes carriageways, footways, cycle paths, street furniture, traffic management and land and had been brought onto the balance sheet in previous months under Property, Plant and Equipment for 2016/17. However, on 14th November 2016 CIPFA took the decision to delay the implementation of the accounting for Highways Network Asset until 2017/18. Therefore, these amounts have now been removed from the balance sheet.
- 8.3 Over the 8-month period there has been an increase in spend on capital schemes included within Property, Plant and Equipment of £26.9m and a decrease in cash and cash equivalents of £8.7m, which in the main reflects the timing of the receipt of capital grants and the phasing of the capital programme.

9. Conclusion and Recommendations

- 9.1 There has been a deterioration in the financial position compared to month 7 by £507k which has contributed to further deterioration in the Council's financial standing in comparison with Budget. Working balances are estimated to fall by £3,135k against the budgeted position over the year. This fall is in the context of the audited working balances at the start of the year of £5,636k, a reduction of 55.6%.

9.2 If this forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution, the forecast revenue outturn 2016/17 within this report contravenes the second of the two specific conditions that excess spending does not:

1. exceed 1% (i.e. £4.3m) of the authority's total gross revenue expenditure;
or
2. have the effect of reducing the authority's Working Balances below 50% of their normal target level (i.e. £3.0m).

In the context of £35.0m of Earmarked Revenue Reserves and with 4 months of the financial year remaining there should still be sufficient time to improve the position such that Working Balances of at least £3.0m are reached. Revised service and financial plans are underway to do so, including the freezing of non-essential spend and delays to filling non-front line vacancies.

9.3 In response to the financial position the Director of Resources is holding regular meetings with individual Directors to discuss the robustness and integrity of current year budget forecasts and the plans in place to deliver an in-year breakeven position.

9.4 The Executive is asked:

- i) to note the report; and
- ii) to require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, specifically Children's Services and Strategic Leisure Assets.

Steve Thompson
Director of Resources

15th December 2016