

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
19 JUNE 2017

PROVISIONAL OUTTURN 2016/2017

1. Introduction

- 1.1 The purposes of this report are to show i) a comparison of General Fund Revenue Account expenditure in the year ended 31 March 2017 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31st March 2017 with sources of funding. The figures are provisional in that they are subject to external audit and any final accounting adjustments. The final figures will be incorporated within the Statement of Accounts for 2016/2017, which is the subject of a separate report to the Audit Committee on 14 September 2017 in order to comply with the statutory deadline required by the Accounts and Audit (England) Regulations 2015.

2. Provisional Revenue Outturn 2016/2017

- 2.1 The Provisional Revenue Outturn for 2016/2017 (before allowing for changes to working balances) is £128,036,000 compared with the approved budget of £125,566,000 – a net increase of £2,470,000. The summary figures are shown at Appendix 4b.
- 2.2 The year-end variance position for each directorate is set out in Appendices 4c to 4k and is summarised as follows:-

Directorate	2016/2017 Variance £000	Reference Appendix
Chief Executive	(10)	2a
Governance and Partnership Services	225	2b
Ward Budgets	(248)	2c
Resources	(94)	2d
Places	429	2e
Community and Environmental Services	(66)	2f
Adult Services	(1,205)	2g
Children's Services	5,397	2h
Public Health	-	2i
Total	4,428	

2.3 The main reasons for this net service overspend / underspends are:-

Service	Reasons	£000
Children's Services	Children's Social Care overspent by £5.916m due to a significant increase in the numbers of Looked After Children. Budgets were set when numbers were around 450, which was still the highest LAC per 10,000 population nationally. However, numbers continued to rise and ended at an all-time high of 529 by 31 March 2017. Lack of capacity in the market along with more complex care needs have also pushed up unit costs. Legal costs have also increased as would be expected in line with the increase in numbers. Staffing savings across other Children's Services teams offset this pressure by £581k.	5,397
Places	The Places Directorate overspend largely comprises Prudential borrowing costs of £200k relating to the Foxhall Village and Central Leisure Quarter developments coupled with overspending and income shortfalls of £109k in Illuminations and a £95k shortfall against income target in	429

	Central Print Services. Other smaller service under and overspends increased this to a directorate overspend of £429k.	
Governance and Partnership Services	Repair and maintenance costs in Registration and Bereavement Services comprise the main component of the overspend. These, coupled with Coroner costs in excess of budget and an income shortfall against budget in relation to cremation fees, resulted in the reported position.	225
Chief Executive	The underspend in the Chief Executive's area related to income received in excess of budget.	(10)
Community and Environmental Services	Leisure and Catering were under budget by £145k due to a combination of increased income generation on Parks and a reduction in catering provisions costs. Highways and Traffic Management were £88k over budget due to pressures on Bus Shelter income and maintenance, partly offset by scheme income. A review of discretionary costs undertaken through the year resulted in savings offsetting pressures experienced elsewhere in the Directorate. The pressure due to the loss of the Waste PFI grant has been offset against reserves in 2016/17.	(66)
Resources	Property Services achieved savings of £620k against a property rationalisation target of £800k resulting in an overspend of £180k. All the other services within Resources underspent, totalling £274k, through a combination of staff vacancies, increased income and savings on supplies and services.	(94)
Ward Budgets	Scheme commitments of £287k are being carried forward into 2017/18. However, the balance of £39k overspend relates to expected income not being realised.	(248)
Adult Services	The Adult Commissioning Placements Budget underspent by £1,268k mainly as a result of higher than anticipated residential income and one-off savings following a review of prudent year-end accruals. Staffing budgets across the	(1,205)

	department also underspent by £80k due to higher than expected vacancy levels. Adult Safeguarding overspent by £143k due to additional legal and staffing costs to fund Deprivation of Liberty Safeguards (DoLS) case law.	
Total		4,428

- 2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 4I and shows an aggregate underspending of £1,092,000. The main reasons for this are:-

Service	Reasons	£000
Concessionary Fares	Concessionary Fares were over budget due to the ongoing pressure arising from increased bus patronage and the impact of fare increases.	491
Parking Services	The service's income target was not achieved; the service did however continue its significant improvement in income generation. This was in spite of a reduction in available car parking spaces.	284
Previous Years' Pension Liability/Land Charges/Housing Benefits/Council Tax and NNDR Cost of Collection	Council Tax and National Non-Domestic Rates Cost of Collection underspent due to the costs recovered on Council Tax collection. There was also increased income in Land Charges.	(30)
New Homes Bonus	This underspend is due to the additional income resulting from the final NHB allocation.	(150)
Subsidiary Companies	This underspend has resulted from a saving on Prudential borrowing costs as borrowings on historic capital schemes have been repaid.	(152)
Treasury Management	Treasury Management has a £1,535k favourable position due to the ongoing temporary windfall from the short-term interest rates paid to finance capital expenditure during the year.	(1,535)
Total		(1,092)

3. Treatment of Revenue Budget Variances

- 3.1 As part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach requires that:-

- underspendings are carried forward in full and are then available to

supplement the following year's service budget;

- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive); and
- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

3.2 However, having considered the Provisional Revenue Outturn 2016/2017 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £287,000, in respect of the scheme commitments, on Ward Budgets is carried forward to 2017/2018 in full;
- the following under and overspendings are to be written off:

Directorate	£000
Chief Executive	(10)
Governance and Partnership Services	225
Ward Budgets	39
Resources	(94)
Places	429
Community and Environmental Services	(66)
Adult Services	(1,205)
Children's Services	5,397
Total	4,715

This will allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings for what will be the seventh consecutive year of material budget cuts.

4. Provisional Capital Outturn 2016/2017

- 4.1. This section sets out the level of expenditure incurred by the Council on its 2016/2017 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2016/2017 should be financed.
- 4.2. The total capital expenditure for the year was £42,773,974. This is summarised as follows with an analysis of spend by individual scheme available at Appendix 4m:-

Directorate	£
Place	15,835,397

Community & Environmental Services	14,534,804
Resources	9,503,148
Adult Services	1,714,326
Children's Services	1,097,876
Governance and Regulatory Services	88,423
Total	42,773,974

4.3 CIPFA's Prudential Code of Practice requires the Council to set a range of indicators each year, one of which is to separately account for non-HRA and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2016/2017 of £42,773,974 is split between non-HRA of £35,145,348 and Housing Revenue Account of £7,628,626.

4.4 The original Capital Programme for 2016/2017 was set at £21.1m whilst the amount actually spent in-year was over double this. This is mainly due to new approvals given for schemes during the year and the large brought forward budget from previous years.

4.5 It is recommended that this expenditure is funded from the following sources:-

Source	£
Prudential Borrowing	15,153,126
Government and Other Grants	14,496,252
Capital Receipts	1,689,106
Other Sources:	
- Revenue	5,922,849
- Major Repairs Allowance	3,872,288
- CBD Reserve	475,000
- Vehicle Plant and Equipment reserve	386,515
- University Contribution	213,283
- United Utilities Contribution	136,570
- Police Contribution	119,599
- Other External Contributions	309,386
Total	42,773,974

The Council has maximised all capital resources available to it during 2016/2017 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2017/2018.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the amount collected for Council Tax (excluding Police and Fire precepts) was £43.5m and the collection rate was 90.0%. This compares to £41.3m and 90.7% at the same point in 2015/2016. The

reduction of 0.7% compared to the previous year equates to £0.3m. The amount collected has actually risen by £2.2m and the movement of £2.5m 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 2016/2017.

The level of Council Tax income is also affected by movements in the actual Council Tax Base compared to that used for the purposes of the 2016/2017 Budget. The base is affected by the Council Tax Reduction Scheme which is effectively applied as a discount and therefore subsequently reduces the tax base. Movements in the Council Tax Reduction Scheme impact on the income due.

As at 31st March 2017 the level of arrears has increased to £15.0m (compared to £13.5m in 2015/2016) and the provision for bad debts has increased to £5.7m (compared to £5.2m in 2015/2016). These reflect the current economic climate and the risks associated with the Council Tax Reduction Scheme. If the actual collection rate is higher than 97.5% then the excess will be available to reduce the Council Tax in future years. If it is lower than 97.5% then an increase in Council Tax will be required in future years to cover the shortfall. This would be in addition to any changes arising from the actual collection rates in previous years.

5.2 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1 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 12 the amount collected (excluding Police and Fire precepts) in respect of the Council Tax Reduction Scheme and Council Tax for those who have to pay CTRS, either for the first time or in addition to a proportion of their Council Tax, was £2.53m and the collection rate was 60.6%. This compares to £2.65m and 62.4% at the same point in 2015/2016 and is the principal cause of the overall collection rate deteriorating.

The impact of changes in the numbers and ratios between Older Age claimants and Working Age claimants during the year compared with the original estimates shows a definite volatility in the data used in projections.

5.3 National Non-Domestic Rate (NNDR)

Prior to 1st April 2013 National Non-Domestic 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.

At the end of month 12 the amount collected for National Non-Domestic Rates was £50.7m and the collection rate was 93.9%. This compares to £50.1m and 95.1% at the same point in 2015/2016. The reduction of 1.2% compared to the previous year equates to £0.7m, though increases in both the National Non-Domestic Rates multiplier and base have made positive contributions of £1.3m. The Council's share of these is 49%.

The surplus as at 31st March 2017 is £0.82m. The Council's share of this is £0.4m (49%).

As at 31st March 2017 the level of arrears has increased to £6.0m (compared to £4.6m in 2015/2016) and the provision for bad debts has increased to £2.3m (compared to £1.9m in 2015/2016). The level of write-offs and the provision for bad debts reflect the current economic climate and the volatility of these areas and supports the level of earmarked reserves held by the authority. The appeals provision has increased to £7.8m in 2016/2017 (compared to £6.7m in 2015/2016) and is deemed necessary due to the volume of appeals still being submitted to the Valuation Office.

The above figures are included in the NNDR 3 return to Department for Communities and Local Government. The figures will be reflected in the Collection Fund for 2016/2017, but will not fully impact on the Council until 2018/2019 due to the methodology employed by central government to collect the data required to calculate the shares of Non-Domestic Rate income.

6. Reserves and Provisions

- 6.1 In accordance with Local Authority Accounting Panel (LAAP) Bulletin No. 99 the Council's reserves and provisions are continuously reviewed for relevance, appropriateness and materiality. The establishment, use and closure of reserves and provisions require the specific authorisation of the Director of Resources and auditable records are maintained to that effect. Members are asked to note that the level of earmarked reserves has decreased from £42.2m to £37.5m during 2016/2017 with those reserves summarised and shown in the table overleaf:-

Earmarked Reserves	2015/2016	2016/2017
	£000	£000
Collection Fund Deficit Reserve (Council Tax & NNDR)	14,065	13,910
Public/Private Partnerships	9,056	7,548
Treasury Management – Prudential borrowing	2,329	2,668
Transformation Reserve	1,315	1,944
Museum Reserve	2,006	1,252
Insurances	600	850
Potential Pay Liabilities	1,314	284
Service Under/overspends	1,797	-
Other Reserves	9,749	9,045
Total Earmarked Reserves	42,231	37,501

- 6.2 The Strategic Leisure Assets cumulative overspend of £4,811,000 brought forward from 2015/2016 is included within earmarked reserves along with the 2016/2017 in-year overspend of £618,000. It is forecast that the portfolio will break-even, in-year, during 2021/2022 when it will then start to repay the overspend. This is in line with the Medium Term Financial Plan.
- 6.3. The financial performance of the Housing Revenue Account (HRA) is better than originally forecast for 2016/2017 by £1,993,000 with year-end balances of £6,857,000 which will be required in the main to support the Queens Park Phase 2 redevelopment scheme which is now well underway.
- 6.4. Maintained schools' balances (which lie outside the control of the Council) decreased by £826,000 in 2016/2017 to £2.3m. A £471,000 reduction was due to academy conversions with the remaining maintained schools taking £355,000 from their reserves. £973,000 is also held in an earmarked reserve in relation to unspent Dedicated Schools Grant.

7. General Fund Working Balances

- 7.1 The Council's Revenue Budget for 2016/2017 set a target level of General Fund working balances of around £6m. It is deemed appropriate to maintain this target level of £6m for working balances for the medium term. To do so would require an increase of £2,834k on the current balance of £3,166k.
- 7.2 A review of earmarked reserves has been undertaken. It is proposed that £1.5m is taken from the Transformation Reserve and £1.5m from the Collection Fund Deficit Reserve (Council Tax & NNDR) and added to General Fund Working Balances, increasing them to £6,166,000 for the start of the 2017/18 financial year. The rationale behind utilising these two reserves is that the former will be replenished from the reduction in the Minimum Revenue Provision (MRP) made available following the review of the method of charging MRP (reported to the Executive on 8th February 2016 as part of the Treasury Management Strategy 2016/17); and the latter appears to have sufficient headroom to accommodate any further volatility in Council Tax and

National Non-Domestic Rates collection over the medium-term.

8. Conclusions and Recommendations

- 8.1 The Provisional Outturn for 2016/2017 shows the financial performance culminating with the Council's General Fund working balances standing at £3,166,000. It has been a difficult year with Children's Services materially impacting upon the bottom line and no signs of improvement yet.
- 8.2 As the Council continues to manage the financial constraints placed upon it, the measures proposed within this report will reinstate some cushion for managing the risks that lie ahead in the next financial year, which the Medium Term Financial Sustainability Strategy has highlighted as the last of the very difficult years to navigate.
- 8.3 The Executive is asked to:
- approve the provisional revenue outturn for 2016/2017 and in so doing to note that the figures are subject to external audit and final accounting adjustments (ref. paragraph 2.1);
 - approve the recommendations regarding the treatment of specific service under / overspends as outlined (ref. paragraph 3.2);
 - approve the provisional capital outturn for 2016/2017 and methods of scheme funding as outlined (ref. paragraphs 4.2 and 4.5);
 - note the Prudential Indicator (ref. paragraph 4.3);
 - note the levels of the earmarked reserves including those for the Housing Revenue Account and maintained schools (ref. paragraphs 6.1, 6.3 and 6.4); and
 - approve the recommendation that £1.5m is taken from the Transformation Reserve and £1.5m from the Collection Fund Deficit Reserve (Council Tax and National Non-Domestic Rates) and added to General Fund Working Balances, increasing them to £6,166,000 for the start of the 2017/18 financial year (ref. paragraph 7.2).

Steve Thompson
Director of Resources