

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
11TH DECEMBER 2017

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 7 2017/18

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 7 months of 2017/18, i.e. the period to 31st October 2017, 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 2017/18. 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. 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 19th June 2017 to write-off all service overspends and carry forward the 2016/17 underspend of £287k on Ward Budgets.
- 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 7 forecast overspend of £3,965k for 2017/18 are summarised below:-

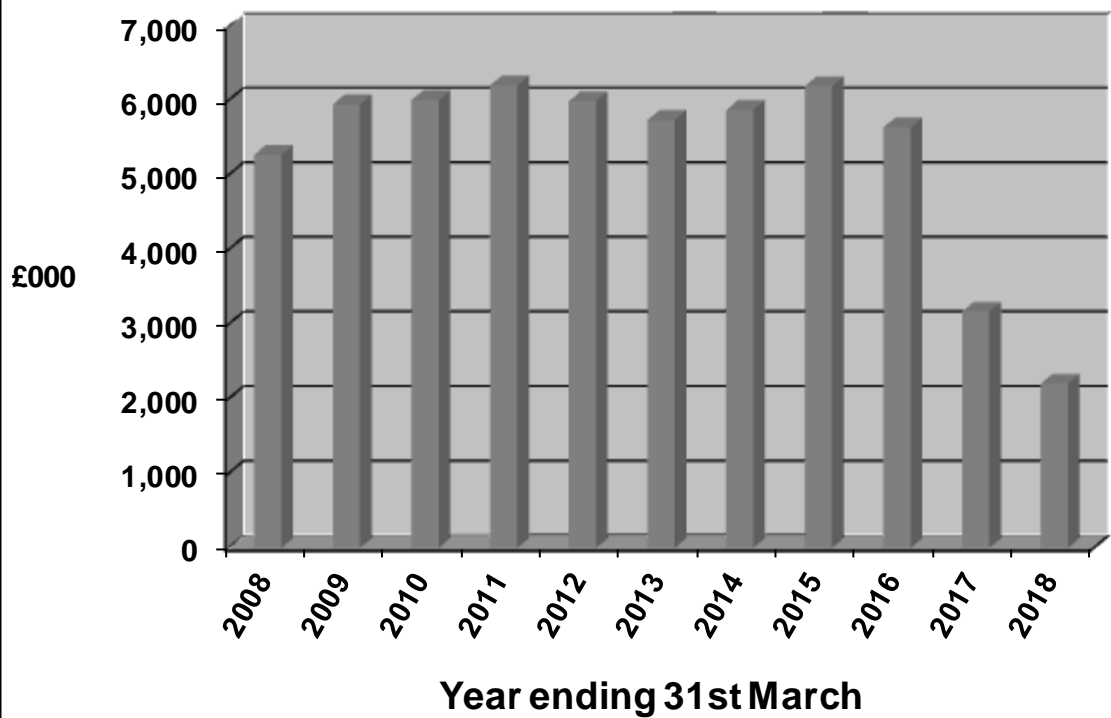
Directorate	Service	Forecast Variance £000
Children's Services	An overspend of £4,647k is forecast. Children's Social Care is forecast to overspend by £4,620k, mainly due to a significant increase in the numbers since budgets were set with an all-time high of 549 by the end of May 2017. Since then numbers had been reducing, however demand and complexity of cases have increased in October worsening the position by £441k. Early November data indicated that this was set to continue resulting in reduced LAC savings of £139k. There are overspends in the Education Services Grant of £185k due to the loss of funding arising from the grant ceasing from September 2017 although this is partly offset by a transitional grant and the charging of retained education functions to the Dedicated Schools Grant (DSG) and Education of £113k predominately relating to the Special Educational Needs (SEN) Transport Service and is partly due to demand pressures and the savings target which is forecast not to be achieved. A number of solutions to try and mitigate the cost pressures around LAC are being implemented. A procedure has been introduced whereby all new admissions into care must be approved by the Senior Service Manager and, in those cases where the child is 12 years or over, by the Director of Children's Services. A new Commissioning role has been created, the purpose of which will be to scrutinise and challenge the cost of the most expensive external placements and review the options for stepping children down into more affordable provision. The Independent Placement Overview panel now meets on a weekly basis and an additional Panel has been introduced for the short-term to review placements for LAC who are 16 years or over. It is anticipated that a	4,647

	<p>number of children will successfully step down from residential settings to supported accommodation placements resulting in savings which are assumed in the forecast. Other developments include the recent introduction of an 'edge of care' model through the reconfiguration of Argosy children's home and the Blackpool Young People's Service which will enable young people to be more effectively helped to prevent the need for higher level service interventions. The PAUSE project, which seeks to reduce multiple removals of children at birth from families, is in the implementation stage and should ultimately help to reduce the number of new-born admissions into the care system.</p>	
Budgets Outside the Cash Limit	<p>An overspend of £996k is forecast. Parking Services is £544k down mainly due to the delay in implementing 'on-street parking' schemes, loss of parking spaces and prudential borrowing costs. Treasury Management is forecasting an overspend of £516k. The Council is currently using temporary borrowing to finance Prudentially-funded capital expenditure and the resultant saving partially offsets the Business Loans Fund which has a savings target of £1,800k. Concessionary Fares are forecasting a pressure of £70k relating to a forecast increase in bus and tram patronage. The cost to the Council of supporting the Subsidiary Companies is an underspend of £134k due to the reducing balance payback of prudentially-borrowed schemes and savings on the cost of historic pension payments.</p>	996
Places	<p>An overspend of £352k is forecast. Visitor Economy is expecting a £159k overspend. This is mainly due to reduced income particularly in Print Services. A review of Print Services is underway. Cultural Services is expecting an overspend of £103k due to income pressures in the Grundy Art Gallery. Growing Places has a pressure of £90k mainly due to staffing pressures in Planning and the delay in Central Government agreeing the annual increase in fees.</p>	352
Resources	<p>An overspend of £158k is forecast. Property Services is forecasting a £95k overspend based on the current pace of property rationalisation, demolition delays to redundant properties and pressure from rental income within the Central Business District. Revenues and Exchequer Services is forecasting a £82k overspend due to a service restructure and income pressure.</p>	158

Community and Environmental Services	An overspend of £37k is forecast. Leisure and Catering is forecasting a £87k overspend due to income pressures and Street Cleansing and Waste is forecasting a £44k overspend due to disposal costs and income at the Household Waste Recycling Centre (HWRC). These are mainly offset by funding from Reserves and additional income. 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 in 2017/18.	37
Strategic Leisure Assets	Strategic Leisure Assets is forecasting a £878k 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 cumulative deficit as at 31 st March 2018 is £6,307k. This incorporates the increased debt financing costs associated with both the former Tower Lounge development and essential Tower steel structure renewal, together with increased marketing costs and revised income profile. The Leisure Assets portfolio is currently forecast to break-even, in-year, during 2021/22.	Net nil
Governance and Partnership Services	An underspend of £210k is forecast. This is due to a combination of service demand and a forecast underspend on Wards.	(210)
Adult Services	An underspend of £515k is forecast. Adult Commissioning Placements are forecasting an underspend of £248k as a result of releasing one-off income and unallocated accruals, offset by in-year planned slippage of the Housing Related Support savings target. The remaining underspends are mainly due to staffing.	(515)
Contingencies /Reserves	Review of Contingencies and Reserves and calculated release in part to General Fund. The Contingency line includes corporate savings that are managed centrally e.g. £1.5m Procurement saving. Corporate Leadership Team are reviewing all services and savings targets which includes a review of all vacant posts, discretionary spend and how some services are delivered to drive out this forecast underspend.	(1,500)
Total		3,965

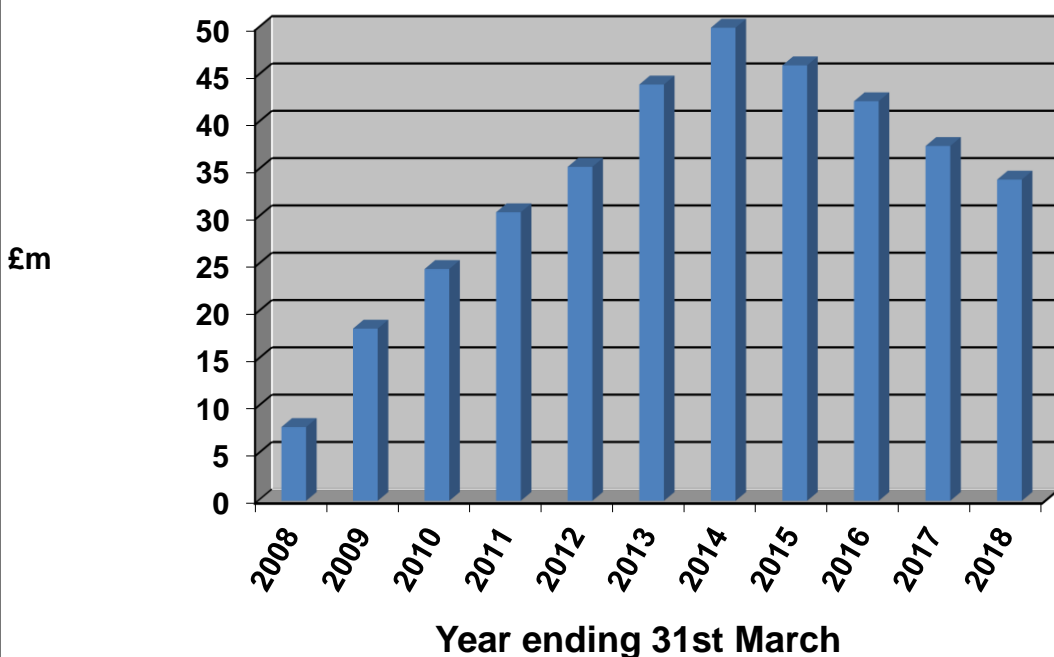
3.3 The graph on the following page shows the impact on the level of Council working balances in-year together with the last 10 years' year-end balances for comparison:

Working Balances



- 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 financial standing an equivalent graph to that of working balances is shown below:

Earmarked Revenue Reserves



4. Directorate Budget Savings Performance

- 4.1 As at 31st October 2017 46% of the 2017/18 savings target has been delivered. The full-year forecast predicts that 79% (82% 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 2017/18 savings in 2018/19 amounts to 73% of the 2017/18 target which reflects the non-recurrent savings and recurrent in-year pressures/savings.

5. Collection Rates

5.1 Council Tax

At the end of month 7 the amount collected for Council Tax (excluding Police and Fire precepts) was £30.4m and the collection rate was 59.9%. This compares to £28.9m and 59.8% at the same point in 2016/17. The amount collected has actually risen by £1.5m which 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 still 97.5% over a 4-year collection period as approved on 27th January 2017 as part of the setting of the Council Tax Base for 2017/18.

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. From 1st April 2017 the scheme was amended so that certain vulnerable groups would have the 27.11% reduced to 13.56%. This has the effect of reducing the amount to be collected.

At the end of month 7 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 £1.51m and the collection rate was 39.8%. This compares to £1.71m and 39.1% at the same point in 2016/17.

The likely impact for 2017/18 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2016/17 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 7 the amount collected for Business Rates was £30.3m and the collection rate was 59.5%. This compares to £31.9m and 58.5% at the same point in 2016/17. The increase of 1.0% compared to the previous year equates to £0.7m, though changes in both the Business Rate multiplier and base (due to the Revaluation in April 2017 and other movements) have made negative contributions of £2.3m, offset by a compensating increase to the NDR Top-up amount. The Council's share of business rate yield continues at 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. However, over 560 business rate summonses were issued by the end of September.

The audited Business Rate cumulative surplus as at 31st March 2017 is £785k. The Council's share of this is £385k (49%).

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 The report includes the capital programme at month 7. The figures have changed significantly from month 3 as this represented the programme approved by the Executive in February 2017. Since that date a number of additional schemes have been approved and are now included.
- 6.3 As at month 7 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 2017/18.
- 7.2 During the first 7 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 2017 mainly due to a £36.7m up-front payment to the Lancashire County Pension Fund. 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. As a result the delay in taking new long-term borrowing means that interest charges are lower than expected. In contrast, the take-up of loans from the recently expanded Business Loans Fund is slightly slower than anticipated and this means that an adverse variance is currently forecast for 2017/18.

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 7. 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 Over the 7-month period, there has been an increase in short-term borrowing of £15.3m and an increase in long-term borrowing of £7.8m, which in the main reflects borrowing in advance at low interest rates to fund the capital programme (£20m) and to fund the increase in long-term assets (£15m). The increase in long-term assets is due to the purchase of shares in Blackpool Airport and an increase in business loans granted. The movement in debtors and creditors reflects seasonal activity.

9. Conclusions and Recommendations

- 9.1 Over the period 2011/12 – 2017/18, the cumulative Budget savings amount to £137m which is now greater than the Council's annual Net Requirement Budget and even more starkly the compound effect over the 7-year period exceeds £1/2 billion of resource that has been removed from the Blackpool economy. This reflects one of the highest cuts per head of population across local authorities in England and in an environment of growing demands upon services as commensurate of an authority with such recognised pockets of significant deprivation.
- 9.2 The Medium-Term Financial Sustainability Strategy 2016/17 – 2021/22 always identified 2017/18 as the critical financial year to navigate, being the last of the very high Budget gap years to bridge and following 6 years of significant erosion of Government funding. This is now proving to be the case.
- 9.3 There is a worsening on the position compared to month 6 of £621k. Working balances are estimated to fall by £3,965k against the budgeted position over the year. This fall is in the context of the audited, adjusted working balances at the start of the year of £6,166k.
- 9.4 By far the Council's biggest financial risk and pressure is the demand growth in Children's Social Care. This is not unique to Blackpool – Local Government Association (LGA) research as recent as 9th August 2017 concluded that "Children's services are at breaking point (nationally) with 75% of councils overspending to keep vital protections in place". The review found that in 2015/16 councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. 172,290 children in England and Wales were subject to child protection inquiries in 2015/16, compared to 71,800 in 2005/06 – a 140% increase in just 10 years. The equivalent figure for Blackpool is more than double this increase at 328%.

9.5 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 2017/18 within this report contravenes the second of the two specific conditions that excess spending does not:

1. exceed 1% (= £4.2m) 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 (= £3.0m).

In the context of £34m of Earmarked Revenue Reserves and with 5 months of the financial year remaining there should still be sufficient opportunity to improve the position such that Working Balances of at least £3.0m are reached, but action is being taken immediately. Revised service and financial plans are underway, including the review of non-essential spend and delays to filling non-front line vacancies.

9.6 The Executive is asked:

- i) to note the report;
- ii) to continue to lobby Government along with other local authorities facing similar pressures, the Local Government Association and the Association of Directors of Children's Services for more funding to cope with the mounting demand and new burdens presenting in Children's Services; and
- iii) to require the respective directors and Director of Resources to continue to closely monitor and manage service financial and operational performances, specifically Children's Services, Strategic Leisure Assets, Parking Services and Treasury Management/Business Loans Fund.

Steve Thompson
Director of Resources

23rd November 2017