

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
10 JUNE 2019

PROVISIONAL OUTTURN 2018/19

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 31st March 2019 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31st March 2019 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 2018/19, which is the subject of a separate report to the Audit Committee on 25th July 2019 in order to comply with the statutory deadline required by the Accounts and Audit (England) Regulations 2015.

2. Provisional Revenue Outturn 2018/19

- 2.1 The Provisional Revenue Outturn for 2018/19 (before allowing for changes to working balances) is £127,495,000 compared with the approved budget of £128,518,000 – a net decrease of £1,023,000. The summary figures are shown at Appendix 2b.
- 2.2 The year-end variance position is summarised as follows:-

| Summary | 2018/19 Variance £000 |
|--|--------------------------------------|
| Directorates | 1,823 |
| Budgets Outside the Cash Limit | (1,198) |
| Leisure Assets – actual (Appendix 2h) | 1,827 |
| Leisure Assets – financed from Earmarked Reserves (Para 6.2) | (1,827) |

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|---|----------------|
| | |
| Contributions and Contingencies, Levies and Capital Charges | (1,648) |
| Total | (1,023) |

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

| Service | Reasons | £000 |
|--|---|-------------|
| Children's Services (Appendix 2k) | <p>Children's Social Care overspent by £5.575m due to ongoing demand pressures relating to Looked After Children (LAC). When budgets were set, LAC numbers were around 530, however numbers increased over the year and peaked at 572 in December. Whilst numbers did fall back to 565 by the end of March LAC totals were consistently above budgeted levels. Furthermore, the breakdown of placements has contributed significantly to the overspend. Additional costs were incurred relating to children with complex needs being moved into more expensive placement categories, requiring additional support or being unable to step down as early as planned. £282k was also spent on the interim support following the Ofsted inspection in December 2018.</p> <p>The Education division also overspent by £371k. Special Educational Needs Transport pressures of £612K were offset by savings on direct payments and staffing underspends.</p> <p>Staffing, supplies and services underspends in the Early Help and Business Support and Resources divisions partially offset the pressure by £392k and £59k respectively.</p> | 5,476 |
| Governance and Partnership Services (Appendix 2d) | <p>The main component of the Governance and Partnership Services overspend relates to a £308k pressure within Life Events and Customer Care due to a shortfall in income in relation to cremations and burials, additional Coroner costs and additional staff costs in Registrars covering long-term sickness absence. This was offset by surpluses in Democratic Governance and Corporate Legal Services due to income exceeding budget.</p> | 238 |
| Communications and Regeneration (Appendix 2g) | <p>Arts and Heritage overspent by £81k in 2018/19 due to costs associated with the Grundy Art Gallery. Illuminations costs exceeded budget by £63k and Visit Blackpool faced additional event costs of £59k. These overspends were offset by additional income in Planning and Print Services.</p> | 138 |
| Public Health (Appendix 2l) | <p>The Public Health Directorate managed a grant of £18,428,000, for the financial year to March 2019 which was spent in full. Pressures within the CCTV department have been offset by savings against Community Safety, resulting in a net underspend of £4k.</p> | (4) |

| | | |
|---|--|--------------|
| Chief Executive (Appendix 2c) | The main component of this underspend relates to staffing savings achieved in Human Resources, Organisation and Workforce Development coupled with an underspend on the Chief Executive element of the budget. | (67) |
| Adult Services (Appendix 2j) | Adult Commissioning Placements overspent by £294k as a result of higher than expected Supported Living packages of care, offset by additional Fairer Charging Income. The remaining underspends were mainly due to staffing vacancies within the service. | (76) |
| Ward Budgets (Appendix 2e) | Scheme commitments of £80k are being carried forward into 2019/20. | (80) |
| Resources (Appendix 2f) | Property Services overspent by £263k due to pressures across the division including reduced income generation from investment properties, mainly being the Marton Mere site and pressures within Building services due to renovations across Adult's and Children's buildings resulting in high maintenance costs. Risk Services underspent by £111k mainly due to EU Exit Funding received from MHCLG. The other Resources divisions underspent by £316k mainly due to staffing vacancies, supplies and services savings and increased income generation. | (164) |
| Community and Environmental Services (Appendix 2i) | The main component of the variance on the Community and Environmental Services budget has arisen as a result of a technical accounting adjustment regarding debt payments made to Lancashire County Council to finance the Council's waste disposal arrangements (formerly the Lancashire Waste PFI scheme). Excluding this £3.6m variance, the Directorate has broken even for 2018/19 with offsetting under and overspends across its constituent services. Main variances include an overspend of £227k in Leisure and Catering, mainly the result of a shortfall in Leisure income, offset by savings in other divisions of the Directorate. | (3,638) |
| Total | | 1,823 |

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 2n and shows an aggregate underspending of £1,198,000. The main reasons for this are:-

| Service | Reasons | £000 |
|------------------|--|------|
| Parking Services | An income shortfall of £612k has arisen in Parking Services, mainly due to "on-street" parking schemes not being feasible, a loss of parking spaces, prudential borrowing costs and reduced income from staff parking. | 612 |

| | | |
|--|---|----------------|
| Previous Years' Pension Liability/Land Charges/Council Tax and NNDR Cost of Collection/Corporate Subscriptions | £20k reduction in Corporate Subscriptions taken out in 2018/19. Council Tax and NNDR Cost of Collection overspend of £1k is due to a reduction in costs recovered on Council Tax collection. Previous Years' Pension Liability overspend of £5k is due to a reduction in contributions from schools. £20k underspend on Land Charges. | (34) |
| Concessionary Fares | Concessionary fares were under budget due to a decrease in patronage by NoW cardholders as a result of the equalisation of the pension age. | (162) |
| Subsidiary Companies | This underspend has resulted from a saving on Prudential borrowing costs as borrowings on historic capital schemes have been repaid. | (240) |
| Housing Benefits | Net reduction in benefits payments due to Universal Credit and increase in recovery of overpayments. | (309) |
| Treasury Management | Treasury Management has a favourable position due to cash flow management. | (1,065) |
| Total | | (1,198) |

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 2018/19 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £80,000, in respect of the scheme commitments, on Ward Budgets is carried forward to 2019/20 in full;
- the following under and overspendings are to be written off:

| Directorate | £000 |
|------------------------------------|--------------|
| Chief Executive | (67) |
| Governance & Partnership Services | 238 |
| Resources | (164) |
| Communications & Regeneration | 138 |
| Community & Environmental Services | (3,638) |
| Adult Services | (76) |
| Children's Services | 5,476 |
| Public Health | (4) |
| Total | 1,903 |

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 9th consecutive year of material budget cuts.

4. Provisional Capital Outturn 2018/19

- 4.1. This section sets out the level of expenditure incurred by the Council on its 2018/19 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2018/19 should be financed.
- 4.2. The total capital expenditure for the year was £48,786,826. This is summarised on the following page with an analysis of spend by individual scheme available at Appendix 2n:-

| Directorate | £ |
|--------------------------------------|-------------------|
| Communications and Regeneration | 20,309,589 |
| Community and Environmental Services | 12,274,165 |
| Chief Executive | 9,523,858 |
| Adult Services | 2,889,208 |
| Children's Services | 1,665,584 |
| Resources | 1,655,996 |
| Governance and Regulatory Services | 468,426 |
| Total | 48,786,826 |

- 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-Housing Revenue Account (HRA) and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2018/19 of £48,786,826 is split

between non-HRA of £39,466,668 and Housing Revenue Account of £9,320,158.

4.4 The original Capital Programme for 2018/19 was set at £43.8m whilst the amount actually spent in-year was slightly more. This was due to new approvals given for schemes during the year.

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

| Source | £ |
|---------------------------------|-------------------|
| Prudential Borrowing | 12,854,050 |
| Government and Other Grants | 28,018,781 |
| Capital Receipts | 1,772,599 |
| | |
| Other Sources: | |
| - Revenue | 8,877,469 |
| - Job Centre Plus | (106,920) |
| - United Utilities Contribution | 79,292 |
| - Lancashire County Council | 161,055 |
| - Hollinwood Homes | (2,869,500) |
| | |
| Total | 48,786,826 |

The Council has maximised all capital resources available to it during 2018/19 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2019/20.

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 £50.4m and the collection rate was 92.0%. This compares to £46.4m and 91.3% at the same point in 2017/18. The amount collected has actually risen by £4.0m which is mainly due to increases in both the Council Tax rate and base combined with the improved collection rate.

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 29 January 2018 as part of the setting of the Council Tax Base for 2018/19.

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 2018/19 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 31 March 2019 the level of arrears has increased to £17.5m (compared to £16.8m in 2017/18) and the provision for bad debts has increased to £7.2m (compared to £6.5m in 2017/18). 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. From 1 April 2017 the scheme was amended so that certain vulnerable groups would have the 27.11% reduced to 13.56%. The scheme was further amended from 1 April 2018 to provide additional support for low income groups of claimants (in receipt of Income Support, Income-Based Jobseekers Allowance or Income Related Employment Support Allowance) by amending the percentage reduction applied to their award from 27.11% to 13.56%. These have the effect of reducing the amount to be collected.

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 £2.38m and the collection rate was 69.8%. This compares to £2.31m and 61.3% at the same point in 2017/18.

The underlying rate of collection of Council Tax Reduction Scheme was under greater pressure than 2017/18 due to accumulated arrears and limits on the amount that could be recovered from Attachment of Benefits.

5.3 National Non-Domestic Rate (NNDR)

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 to 31st March 2019 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 12 the amount collected for Business Rates was £47.7m and the collection rate was 96.2%. This compares to £47.6m and 95.6% at the same point in 2017/18. The increase of 0.6% compared to the previous year equates to £0.4m, 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 £0.3m, offset by a compensating increase to the

NDR Top-up amount. The Council's share of business rate yield continued 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, 778 business rate summonses were issued in the 12 months to the end of March 2019.

The unaudited Business Rate cumulative deficit as at 31st March 2019 is £2.310m. This is an improvement of £1.847m on the position at 31st March 2018. The Council's share is £1.132m (49%).

As at 31 March 2019 the level of arrears has reduced to £6.1m (compared to £6.2m in 2017/18) and the provision for bad debts has increased to £2.6m (compared to £2.5m in 2017/18). The level of write-offs and the provision for bad debts reflect the current economic climate and the volatility of these areas and justifies the level of earmarked reserves held by the authority. The appeals provision has increased to £11.8m in 2018/19 (compared to £10.0m in 2017/18) and is deemed necessary due to the volume of appeals still to be determined by the Valuation Office in respect of the 2005 and 2010 Valuation Lists and to provide for appeals following the 2017 Revaluation. Following the introduction of the Check, Challenge and Appeal system by the Valuation Office no appeals have been received and the information available nationally is extremely limited. In the absence of data from the 2017 List the amount set aside has been based on the allowance of 4.77% made to the adjustment to the NNDR Multiplier as this represents the government's view as to the eventual impact of appeals on the 2017 List.

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 £36.8m to £35.4m during 2018/19 with those reserves summarised and shown in the table overleaf:-

| Earmarked Reserves | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £000 | £000 |
| Collection Fund Deficit Reserve (Council Tax and NNDR) | 12,575 | 13,459 |
| Public/Private Partnerships | 4,833 | 6,064 |
| Treasury Management – Prudential borrowing | 465 | 2,251 |
| Transformation Reserve | 517 | 425 |
| Museum Reserve | 294 | 875 |
| Insurances | 1,100 | 1,100 |
| Potential Pay Liabilities | 1,172 | 488 |
| Other Reserves | 14,468 | 12,157 |
| | | |
| Total Earmarked Reserves | 35,424 | 36,819 |

6.2 The Strategic Leisure Assets cumulative overspend of £6,744,000 brought forward from 2017/18 is included within earmarked reserves along with the 2018/19 in-year overspend of £1,827,000. It is forecast that the portfolio will break-even, in-year, during 2021/22 when it will then start to repay the overspend. This is in line with the Medium Term Financial Plan.

6.3. The year-end balances of the Housing Revenue Account (HRA) are £5,705,000 which is £623,000 less than originally forecast for 2018/19 due to rent income delays at Queens Park.

6.4. Maintained schools' balances (which lie outside the control of the Council) increased by £280,000 in 2018/19 to £2.4m. £422,000 is also held in an earmarked reserve in relation to overspent Dedicated Schools Grant.

7. General Fund Working Balances

7.1 The Council's Revenue Budget for 2018/19 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. The level of working balances as at 31 March 2019 is higher at £7,057,000 and although higher than target it is deemed prudent to retain in view of the consequences of the recent Ofsted inspection.

8. Conclusions and Recommendations

8.1 The Provisional Outturn for 2018/19 shows the financial performance culminating with the Council's General Fund working balances standing at £7,057,000. As has been reported it has been a difficult year with Children's Services materially impacting upon the bottom line.

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 is the last in the 4-year Settlement period contained within the current Medium Term Financial Sustainability Strategy.

8.3 The Executive is asked to:

- approve the provisional revenue outturn for 2018/19 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 2018/19 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).

Steve Thompson
Director of Resources
15 May 2019