Appendix 3(a)

Report to:	**EXECUTIVE**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Lynn Williams, Leader of the Council
Date of Meeting:	5 February 2024

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2023/24 AND MEDIUM TERM FINANCIAL PLAN 2024/25 – 2026/27

1.0 Purpose of the report:

1.1 To report the level of spending and exposure against the Council's Revenue budgets and reserves and balances for the first 9 months to 31 December 2023. The report also includes an update on the Medium Term Financial Plan 2024/25 – 2026/27.

2.0 Recommendation(s):

2.1 To note the report.

2.2 To require the respective directors, Chief Executive and Director of Resources to continue to closely monitor and manage service financial and operational performances, specifically the social care services, Growth and Prosperity and Community and Environmental Services.

2.3 To prompt the Scrutiny Leadership Board to continue to independently review the financial and operational performances of Council services.

2.4 To continue to lobby central government (Department for Levelling Up, Housing and Communities, Department for Health and Social Care and Department for Education in particular) along with local authority peers and networks and the Local Government Association for the funding necessary to cope with the burdens and demands presenting as a result of exceptional inflationary pressures and demographic demands upon statutory services.

2.5 To continue to work towards target working balances of £6m by 31 March 2024 rising to £8m by 31 March 2025.

3.0 Reasons for recommendation(s):

3.1 To ensure financial performance against the Council's Revenue Budget and its reserves and balances is kept under timely review by members.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

None.

5.0 Council Priority:

5.1 The relevant Council Priority is: "The economy: Maximising growth and opportunity across Blackpool".

6.0 Background Information

6.1 **Introduction and Context**

Over the 13-year period 2011/12 – 2023/24 cumulative Revenue Budget savings amounting to £218.0m have been required to be made by Blackpool Council in order to balance its Revenue Budget each year. This is greater than the Council's current annual Net Requirement Budget of £176.2m and even more starkly the compound effect over the same period amounts to nearly £1.6bn of resource that has been removed from the Blackpool economy. This reflects one of the highest reductions per head of population across local authorities in England and in an environment of growing demand upon services as befalling an authority with such recognised pockets of significant deprivation.

The principles of the Medium-Term Financial Sustainability Strategies 2016/17 - 2021/22 and 2021/22 - 2026/27 have been used to successfully keep pace with and deliver budget savings plans year after year. However, in tandem the soaring demand for child protection services and adult social care provision plus the rising costs of providing such care are still creating a burden that current levels of local taxation and Government funding struggle to meet. In addition, the financial consequences of Covid have been material (£3.16m in 2020/21 and £2.59m in 2021/22 both net of Government grants) with little prospect now of any further Government financial support.

The last 13 years have seen unprecedented volatility within local government finance: 9 years of successive central government funding cuts between 2011/12 – 2019/20 were followed by the United Kingdom's exit from the European Union, 2 years of a global pandemic with legacy consequences and a war within the European continent whilst a promised Fair Funding Review has now been delayed by a decade. Indeed the most favourable social care grants currently receivable are based on a relative needs formula of 2013 which themselves are based on 2001 census data. This has all conspired to produce a perfect storm of labour and supply shortages, pay demands, excessive inflation, continually rising interest rates in the Bank of England's attempt to stem the pressure and a central government funding system that is decades out of synchronisation. During this period the Council has strived to i) deliver its annual budget in line with statutory requirements; ii) maintain its reserves and balances at stable and appropriate levels that reflect the risk environment; iii) consistently fund and deliver the ambitions of successive administrations; and iv) deliver for the people of Blackpool. However, here in the present, sector experts and economic commentators cannot agree how and when these key drivers of the economy will land, which makes medium-term financial planning and financial management extremely challenging.

When the Revenue Budget for 2023/24 was approved by Council on 22 February 2023, realistic service budgets had been agreed and set, an achievable budget savings plan was in place, reasonable levels of working balances and earmarked reserves were available and the medium-term outlook was as favourable as it had been for some time with additional Government support for social care funding having been announced. However, within weeks local government employers had made a pay offer at nearly three times that provided within the Budget, non-pay inflation remained stubbornly high with June CPI at 7.9% and RPI at 10.7% though welcome reductions being seen in electricity and gas costs, the more costlier social care cases experiencing growing demand, the base rate increasing (for the 14th consecutive time in August) and inevitable consequential pressures emerging from some of the Council's capital schemes.

6.2 This report sets out the summary revenue budget position for the Council and its individual directorates for the first 9 months of 2023/24, i.e. the period to 31 December 2023, 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. It also incorporates the impact of the Council's wholly-owned companies for which the Council is parent company and underwriter.

Separate reports have been prepared for each of the Council's core areas of responsibility:

- Appendix 2b - Chief Executive
- Appendix 2c - Governance and Partnership Services
- Appendices 2c/d - Ward Budgets
- Appendix 2e - Resources
- Appendix 2f - Communications and Regeneration
- Appendix 2g - Strategic Leisure Assets
- Appendix 2h - Growth and Prosperity
- Appendix 2i - Community and Environmental Services
- Appendix 2j - Adult Services
- Appendix 2k - Children's Services
- Appendix 2l - Public Health
- Appendix 2m - Budgets Outside the Cash Limit
- Appendix 2n - Housing Revenue Account
- Appendix 2o - Wholly-owned Companies

These incorporate summary financial statements which continue to be prepared on a full accruals basis and focus on the forecast revenue outturns for 2023/24. 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.

The combined effect of the directorates' financial performances is aggregated in a summary financial statement at Appendix 2a 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.

6.3 **Budget Performance**

At its meeting on 8 November 2021 the Executive approved the Medium-Term Financial Sustainability Strategy for 2021/22 to 2026/27. As part of the Strategy it was agreed that due to the current level of financial risk and volatility the roll forward of service budget under and overspends is suspended in order that finances can be managed more strategically at corporate level. The exception to this related to any underspend in respect of the scheme commitments on Ward Budgets, however because 2023/24 is an election year there will be no carry-forward in accordance with an earlier overriding Executive decision.

The full-year forecast position at this stage of 2023/24 shows an improvement in the Council's financial standing when compared with the estimated draft unaudited position as at the close of 2022/23 which showed working balances of £2,459k. Working balances are expected to increase to a balance of **£5,021k** by the end of 2023/24 after taking account of the budgeted transfer of £4,335k to working balances. Plans are being developed to address the in-year pressures identified in this report with fortnightly meetings held between the Chief Executive, Director of Resources and respective directors of the more pressured services.

The Council's Revenue Budget for 2023/24 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 and to continue to work towards target working balances of £6m by 31 March 2024 rising to £8m by 31 March 2025.

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 9 forecast overspend of **£1,773k** for 2023/24 are summarised below:

Directorate	**Service**	**Forecast Variance £000**
Children's Services	An overspend of £6,537k is forecast. Children's Social Care Placements is forecasting an overspend of £5,830k, mainly due to new-to-care placements being higher than those exiting care and the additional support required following the breakdown of high-cost placements. The actual number of residential placements as at 31 December 2023 is 70 with this forecast to reduce to 68 by 31 March 2024, whereas the plan suggested there would be 63 as at 31 December 2023 reducing to 60 by the end of March 2024. There was also an additional savings target of £1,924k, of which only £1,165k is anticipated to be met this financial year, leaving a budget gap of £759k. However, the number of Children in Care continues to reduce and currently sits at 534 children. This brings Blackpool from a rate of 218 per 0-17 10,000 population to 194. The ambition is to bring ourselves in line with comparator Local Authorities over the next couple of years and we are confident that this ambition will be realised. Officers have seen this reduction as a result of reduced entry into care, and increased numbers exiting our care system. Within the cohort of Children Looked After, the Council has had a higher than national average of children in residential placements. Residential settings, for most children, are not the optimum placement and these children do not usually have the same degree of positive outcomes as children in foster placements, or family placements for example.	6,537

	Residential placements are costly, with unit costs rising year on year by 14.1%. We have seen movement in the numbers of residential placements, from 84 to 70 as a result of a focused, ongoing piece of work led by our newly recruited Head of Service for Supporting our Children. We have reviewed a number of care plans and as a result children have been moved from residential settings to settings that better meet their needs, always ensuring their safety and individual needs are at the forefront when planning. The service has additionally seen a reduction in agency social work staff during the last 12-18 months. In 2021/22 the service had rates of up to 40% agency staff in some teams. A refreshed Workforce Strategy, overseen by a Workforce Board, chaired monthly by the Director of Childrens Services, has seen a reduction of agency staff to under 15% across the social care teams. The national average is now 17% and regionally the rate is much higher. The last set of regional data put Blackpool at the lowest for agency rates. Officers continue to monitor this closely in a challenging and competitive market.	
Adult Services	An overspend of £2,039k is forecast. Adult Commissioning Placements is forecasting an overspend of £2,402k. There are savings shortfalls of £1,012k from the proposal in which the Integrated Care Board (ICB) were expected to provide additional income of £1.6m into the Better Care Fund (BCF) and a further shortfall on additional funding streams of £337K. There is a pressure of £1,607k in Supported Living due to additional packages of care including children's transitions, along with £563k of pressures due to additional packages of short-term care linked to hospital discharge. £439k pressures relates to Out of Area Residential and Nursing Placements fee uplifts being significantly greater than forecast in addition to a further £515k of pressures across this area of service offset by £2,000k additional client contributions. There is a £139k underspend on Homecare whereby 1:1 hours have been recommissioned correctly as Daycare hours resulting in a pressure on Daycare of £143k. Direct payment pressures of £684k are resulting from a forecasted reduction in claw-backs based on year-to-date actuals and a number of ad-hoc payments being made	2,039

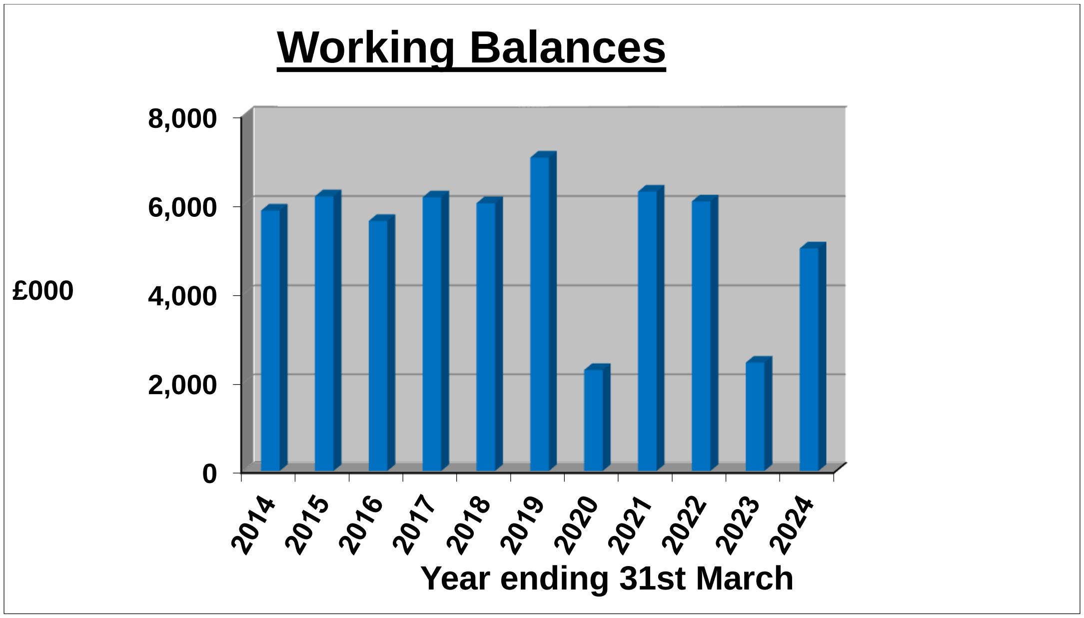
	outside of the Mosaic Interface. There is £602k in the forecast relating to the recently announced Market Sustainability and Improvement Fund which is being used to offset the residential/nursing top-ups and Out of Area fee rates. Savings of £58k have arisen within Supporting People due to additional grant contributions along with a further saving of £99k in Service Management. Adult Social Care and Care and Support are forecasting an underspend of £363k due to the level of vacant positions.	
Community and Environmental Services	An overspend of £690k is forecast. Business Services is reporting a pressure of £1,300k due to ongoing projects being carried out in year by the service. Savings have been identified within the Directorate to deliver these projects. Children's Transport Services is reporting an overspend of £690k due to an increase in demand for Special Educational Needs transport relating to a growth in Education Health and Care Plans. Public Protection is currently forecasting a saving of £50k due to staff vacancies. There are pressures within Licencing, where the income forecast is currently under budget, however, savings have been identified within other areas of Public Protection which will mitigate this. Leisure Services is forecasting a saving of £150k due to savings within staffing and increased income within the Learn to Swim scheme. Catering is facing a pressure due to the increased cost of provisions, but this is expected to be met through reserves. Waste Services are forecasting savings of £200k. An inflationary uplift has been applied to the contract in Public Conveniences, however, Trade Waste income is forecasting an increase against budget to offset this pressure. Highways and Traffic Management Services is currently forecasting an underspend of £400k due to staffing vacancies within Highways & Engineering and the capitalisation of staff costs. Coastal and Environmental Partnerships is currently forecasting a saving of £500k due to additional Coastal income being received.	690
Communications and Regeneration	An overspend of £26k is forecast. Tourism and Communications is forecasting a pressure of £66k due to increased costs of £50k in Visit Blackpool and a £16k pressure in Illuminations due to storm damage to the display. Economic Development and Cultural Services is currently forecasting an underspend of £40k due to vacant posts.	26

Strategic Leisure Assets	Strategic Leisure Assets is forecasting an underspend of £636k due to a reduction in the forecast repair spend and a release from reserves no longer expected to be required. In accordance with the original decision for this programme by the Executive on 7 February 2011 any under or overspend on Strategic Leisure Assets will be transferred to an Earmarked Reserve. The cumulative deficit as at March 2022/23 was £10,690k. In 2023/24 a transfer of £1,420k has been made to Contributions to Reserves reducing this deficit balance to £9,270k. This transfer is in line with the budget. The above underspend will further reduce this deficit to £8,634k. The latest Leisure Assets medium-term financial plan currently expects the service to break-even, in-year, from 2023/24 and cumulatively by 2034/35.	Nil
Growth and Prosperity	An underspend of £2,500k is forecast. This is due to the expectation of proceeds raised from the current work programme exceeding costs including prudential borrowing. This figure has reduced from period 5 due to a revised forecast relating to the costs of regeneration projects. The Executive at its meeting on 8 November 2021 agreed to the approach to transition out the Growth and Prosperity net revenue budget target over a 2-year period, 2022/23-2023/24, with any proceeds subsequently realised from the existing work programme being directed to bolstering reserves and any new proceeds being retained by Growth and Prosperity for re-investment. This surplus will be transferred to Earmarked Reserves to go against the current balance. The cumulative deficit as at March 2022/23 was £10,125k and it is therefore expected that the balance at the end of 2023/24 will be £7,625k.	Nil
Public Health	A break-even position is forecast. The Public Health Directorate is forecasting spending the full grant of £19,858,394 in the financial year to March 2024.	Nil
Governance and Partnership Services	An underspend of £32k is forecast. Corporate Legal Services is forecasting a £50k overspend due to additional staffing costs. Information Governance is forecasting an underspend of £37k due to increased income and a release of reserves that is now deemed as no longer required. Life Events and Democratic Governance are forecasting an underspend of £45k due to staff turnover.	(32)

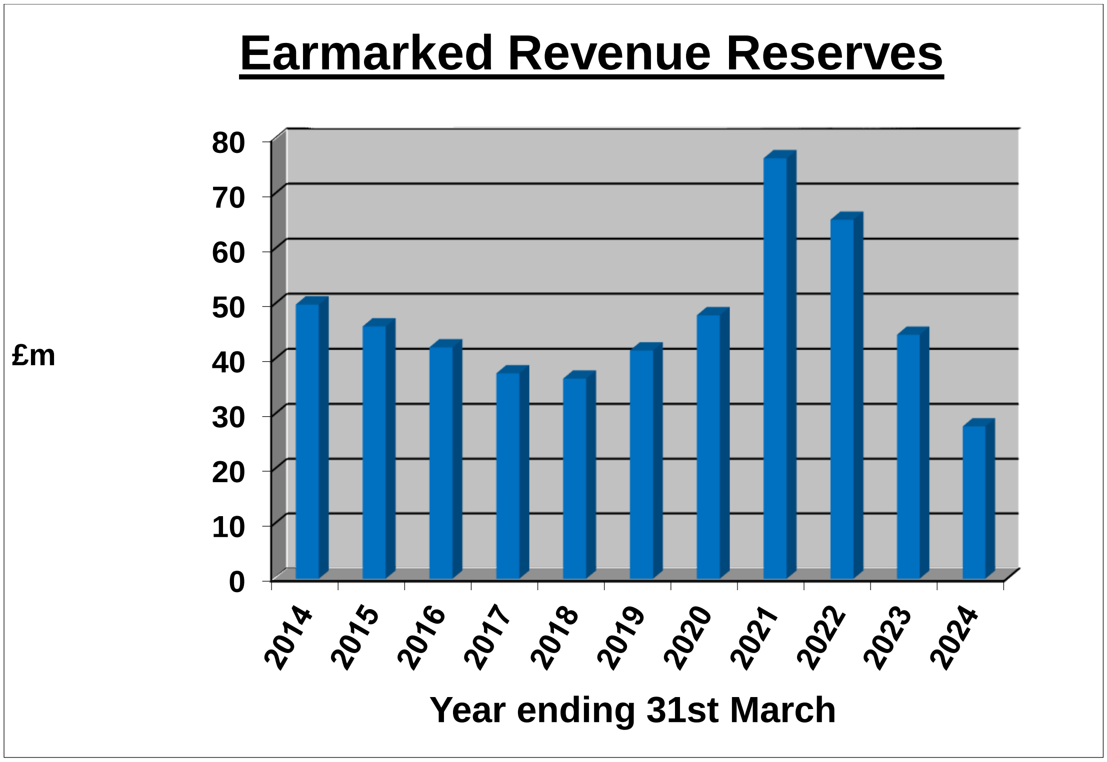
Chief Executive	An underspend of £200k is forecast due to a release of a reserve now deemed as no longer required. Housing is currently forecasting a break-even position. However pressures in Homelessness Services to support people to whom a responsibility is owed are, along with other authorities, high and continue to rise. Despite successful work in year to reduce the number of households requiring emergency temporary accommodation and reducing the time spent in B&B for those for whom another option is not available, the service is projecting to spend over £1m on this accommodation this year alone.	(200)
Resources	An underspend of £276k is forecast. Savings across the Directorate relate to staff vacancies, dis-establishment of posts, additional income from HMRC and other income generation opportunities.	(276)
Budgets Outside the Cash Limit	An underspend of £1,465k is forecast. Parking Services is currently forecasting a £300k overspend due to lower than budgeted income. The ability to maintain this position depends on the impact of the cost of living crisis, the quality of the Easter holiday season, the impact of dynamic parking and the availability of parking due to regenerational projects within the town. Treasury Management is forecasting an underspend of £1,600k, which includes £2,581k of prudential recharges to services and means that the £150k savings target will be met in 2023/24 and an increase in interest received from investments providing additional income of £660k. Offset against this is £1,661k pressure relating to higher interest rates on temporary borrowing and a reduction in the interest charge to the Housing Revenue Account as less borrowing is required in 2023/24 than originally budgeted. However, interest rates are predicted to increase over the duration of the financial year and these increases are likely to have a negative impact on the current position of the service. The Council is currently using 50:50 temporary and long-term borrowing to finance prudentially-funded capital expenditure and this gearing is under continual review by the Treasury Management Panel. The Business Loans Fund has a savings target of £154k and is forecasting a surplus of £20k as new business loans have been awarded at higher repayment rates than originally forecast for 2023/24. The position has worsened since M8 as interest rates have been increased from 4.5% to 5% in the forecast and	(1,465)

	there have been changes in drawdown amounts and dates for certain loans which has resulted in a surplus in year. Following a review of the Minimum Revenue Provision (MRP), which was approved by the Executive on 8 February 2021, a saving of £5,158k is forecast to be achieved in 2023/24. Subsidiary Companies is forecasting a £35k saving due to a reduction in charges, mainly relating to debt management. Concessionary Fares is forecasting a £130k saving due to concessionary passenger numbers being 42% lower than pre-Covid levels, though the Council remains committed to paying at a minimum of a 70% safety net level in line with Department for Transport guidance until March 2024. All other services within Budgets Outside the Cash Limit are forecasting no in-year pressures in 2023/24.	
Contingencies and Reserves	The original Contingencies Cash Limited Budget was £7,722k. Movements out of Contingencies since the beginning of the financial year have been reflected in services' Cash Limited Budgets. There is an overspend of £388k relating to Single Persons Discount. Non-pay inflation is expected to underspend by £804k and there are various minor underspends totalling 313k. Adult Services have updated the Adults Reserve forecast and this is reflected in the Reserve tables below. This has also improved the Contingencies position by £1,000k. There is an additional Public Health saving of £200k and a Business Rate refund relating to Central Car Park of £505k. The overall net impact is therefore an underspend of £2,434k. A Capital Reserve of £3,112k has been released into Working Balances as it is no longer needed.	(5,546)
Total		**1,773**

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



Whilst the Council maintains working balances to address any in-year volatilities, it also maintains a number of Earmarked Revenue Reserves (ERR) for such longer-term commitments as future Private Finance Initiative payments, uncertainties within the Localised Business Rate system and self-insured risks and insurance excesses. In order to present a complete picture of the Council's financial standing an equivalent graph to that of working balances, including a projection to 31 March 2024, is shown below:



Provisional Available Earmarked Reserves	£m
Provisional Balance at 1 April 2023	47.623
Less: Savings target	(9.946)
Add: Growth and Prosperity Reserve	2.500
Add: Strategic Leisure Assets Underspend	0.636
Less: Savings targets in services to be transferred from reserves	(0.440)
Less: Transfer in 2022/23 to be used in 2023/24	(3.112)
Less: Estimated other movements in 2023/24	(9.394)
Forecast Available Earmarked Revenue Reserves as at 31 March 2024	27.867

6.4 **Budget Savings**

Appendix 2p comprises a summary schedule showing the progress made by directorates in achieving their revenue budget savings targets for 2023/24 which total £23,395k. As at 31 December 2023 72% of the 2023/24 recurrent savings target has been delivered. The full-year forecast predicts that 88% will be achieved by the year-end. All of the saving has now been found recurrently.

6.5 **Collection Rates**

Council Tax

Being the most deprived local authority in England per the Office for National Statistics, collection of Council Tax is a challenge but 2022/23 saw an improvement in collection rate to 5th lowest and this progress has continued with the amount collected for Council Tax (excluding Police and Fire precepts) being £52.3m and the collection rate **75.3%** at the end of month 9. This compares to £49.2m and 75.7% at the same point in 2022/23. The amount collected has risen by £3.1m, 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 31 January 2023 as part of the setting of the Council Tax Base for 2023/24.

Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1 April 2013. It is approved annually to ensure that a local Council Tax Reduction Scheme is in place by the start of the following financial year thereby avoiding the financial risks associated with the Government imposing a default scheme. The current 2023/24 Scheme was approved by the Executive on 23 January 2023 to ensure that Council Tax support is available to pensioners and the working aged based upon a means test.

At the end of month 9 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 £1.9m and the collection rate was **54.9%.** This compares to £2.5m and 61.3% at the same point in 2022/23.

The likely impact for 2023/24 is that the underlying rate of collection of Council Tax Reduction Scheme will be under similar pressure to 2022/23 due to accumulated arrears, limits on the amount that can be recovered from Attachment of Benefits and the impact of the cost of living crisis on disposable household income.

Business Rates

Prior to 1 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. Since then the income relating to Blackpool is shared between central government (50%), the Council (49%) and the Fire Authority (1%) other than for an intermittent period when Blackpool Council participated in a Lancashire-wide pooling arrangement.

During 2022/23 Blackpool's collection rate rose significantly from 21st lowest in England to 32nd lowest and this progress has continued with the amount collected for Business Rates being £29.2m and the collection rate **78.0%** at the end of month 9. This compares to £33.2m and 78.0% at the same point in 2022/23. 2022/23 excludes the s31 Extended Retail/Nurseries, etc. relief provided by central government which reduced to 50% in 2022/23. This will have a slight impact on future collection rates.

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

In the 9 months to the end of December 2023 - 845 business rate summonses were issued.

6.6 **Capital Monitoring Performance**

All active capital schemes have been included within Appendix 2q. 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.

The report includes the Capital Programme as approved by the Executive on 6 February 2023. The month 9 report includes this data for comparative purposes. Future reports may show further changes in the Capital Programme, representing schemes that were approved after submission of the 2023/24 capital programme.

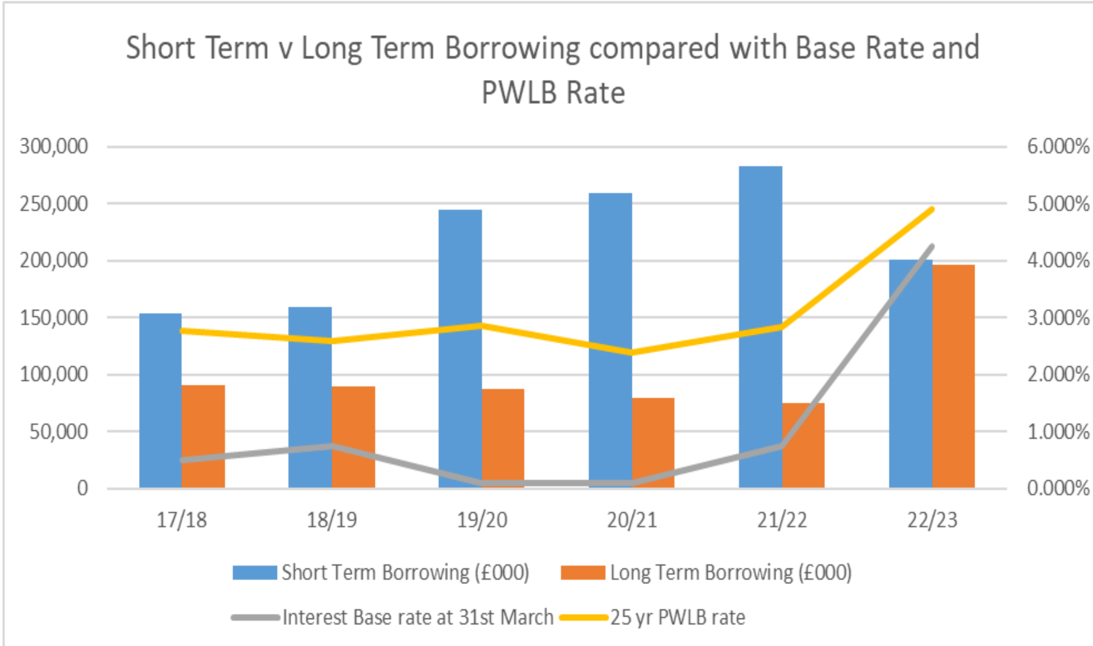
The economic climate remains challenging. High inflation, rising interest rates, supply chain issues (particularly in relation to steel) and a lack of labour are leading to increased costs, primarily on capital schemes that are likely to span a number of years. An ongoing review of capital schemes is therefore being undertaken to establish any schemes where approved budgets may become insufficient and potential overspendings identified. Therefore, in tandem an asset disposal plan is being developed to generate capital receipts that may be applied to offset any such pressures. In some cases, where appropriate, legal challenge/adjudication will be considered to redress the position. Where uncertainties of outcomes (adverse or favourable) still exist, scheme forecast variances are shown as break-even but highlighted as amber.

6.7 **Summary Cash Flow Statement**

As part of the reporting format for this financial year a summary cash flow statement is included at Appendix 2r. This provides a comparison of the actual cash receipts and payments compared to forecast for 2023/24.

During the first 9 months of the year the Council’s net cashflow has resulted in fluctuations in short-term net investment/borrowing balances due to the receipt of up-front grant income in this financial year. The Council fixed £125m of temporary loans in August 2022 at around 3.0%, which resulted in an increase in investment balances and over the next few months short-term borrowing will be repaid using the fixed-term borrowing taken.

The graph below demonstrates the changes in the profile of the Council’s borrowings over the last 6 years. It shows that Council borrowing has increased from less than £250m at the end of 2017/18 to nearly £400m at the end of 2022/23. The profile of this borrowing has also changed as we now have a 50:50 split between long-term and short-term borrowing as interest rates have rapidly risen with uncertainties on where they will land and with consequences of increased borrowing costs.



6.8 **Summary Balance Sheet**

In order to provide a complete picture of the Council's financial performance Appendix 2s provides a snapshot of the General Fund balance sheet as at the end of month 9. 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.

The balance sheet has been prepared under International Financial Reporting Standards (IFRS/IASs). Each year an accounting adjustment under IAS 19 is made for the value of the pension fund at year-end. In 2022/23, for the first time, this produced a pension asset rather than a pension liability. Paragraph 64 of IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. This calculation has now been received from the actuary and £42m has been recognised in the balance sheet as a pension asset.

Usable reserves include unallocated General Fund reserves and revenue reserves. Unusable reserves are those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold.

Due to statutory changes regarding the accounting treatment of infrastructure assets which were approved in Parliament in late November 2022, the 2020/21 accounts were not signed off until November 2023. This has meant that the completion of the audits for the 2021/22 and 2022/23 accounts have been delayed. As the audits are still ongoing the balance sheet as at 31 March 2023 may require amendment, therefore the figures should be treated as draft.

Over the 9-month period there has been an increase in Property, Plant and Equipment of £81.8m due to capital expenditure which is in line with the Council's approved capital programme for 2023/24. Infrastructure assets have decreased by £10.5m which is the net effect of spend to date less depreciation at month 9. Long-term debtors has increased by £5.9m due to new approved business loans. Cash and cash equivalents have increased by £29.4m and short-term borrowing has increased by £58.4m due to the timing of capital and revenue grants and ensuring that sufficient funds are available between Christmas and New Year.

6.9 **Medium-Term Financial Plan Update and Earmarked Reserves Forecast**

The 6-year Medium-Term Financial Sustainability Strategy (MTFSS) covering 2021/22 – 2026/27 was approved by the Executive on 8 November 2021 and whilst the principles still stand the current economic climate has had a significant impact on the supporting Medium Term Financial Plan (MTFP).

Officers are meeting regularly to review and continuously update the Medium Term Financial Plan and the Corporate Leadership Team were meeting on 26 September 2023 and fortnightly thereafter as part of the budget planning process for 2024/25. An updated position will be reported to a future Executive as part of the financial monitoring, but a latest indication of future Budget gaps based on current information including the announcements in the Autumn Statement, the Provisional Settlement 2024/25 and the Office of Budgetary Responsibility (OBR) CPI forecasts is given below:

Medium Term Financial Plan v1.7

	Budget Gap	
2024/25 £m	2025/26 £m	2026/27 £m
16.3	**14.8**	**6.0**

As part of this budget planning process which consolidates the individual MTFPs of the Children's, Adult and Growth and Prosperity services, a detailed exercise has also been undertaken on their consequences upon Earmarked Revenue Reserves to check the validity of amounts held and a forecast of when funds will be drawn down over the same period as the latest MTFSS. A summary table is shown below:

Reserves Summary

Directorate	Draft 31/03/22 £m	Est Balance 31/03/23 £m	Est Balance 31/03/24 £m	Est Balance 31/03/25 £m	Est Balance 31/03/26 £m	Est Balance 31/03/27 £m
Total	**(65.4)**	**(47.6)**	**(27.9)**	**(22.2)**	**(22.9)**	**(24.9)**

In addition to General Fund Earmarked Revenue Reserves the Council holds a Dedicated Schools Grant (DSG) Reserve to manage the Schools, High Needs and Early Years Blocks of grant. Under a Statutory Override to 2025/26 this reserve is maintained separately from the Council's portfolio of revenue reserves as many local authorities are in significant deficit and their consolidation could tip their overall financial standing into deficit. In Blackpool's case the DSG Reserve stood at a deficit of £2,784k as at 31 March 2023 but with the support of the Department for Education's Safety Valve Programme this reserve is planned to return to surplus in 2024/25.

A further reserve to note is the Council's Housing Revenue Account (Appendix 2n), a ringfenced account for the management and maintenance of the Council's housing stock. As at 31 March 2023 this reserve was at a level of £1,721k and is forecast to be £1,303k at the end of the financial year; still ahead of its minimum agreed level of £1m.

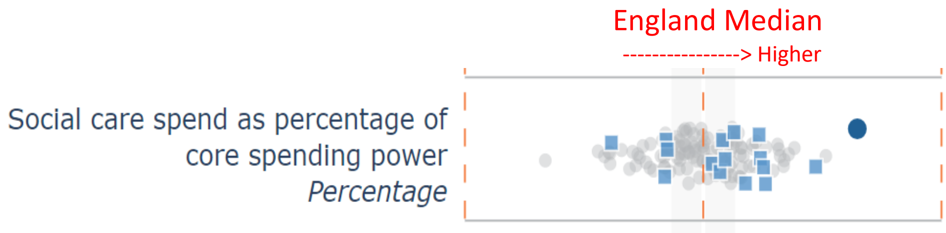
6.10 **Central Government Monitoring and Oversight**

Local government finance is clearly in a fragile and precarious position. There are at least 36 local authorities who have been outed in the media recently for challenges with their financial standing and there are many others who are known to be struggling. In addition, 8 have already filed Section 114 (s114) Notices. Councils are required by law to have balanced budgets. The issuing of a s114 notice stops all but essential spending, making sure that vital services can continue to be provided to the most vulnerable residents. External oversight exists via periodic Local Government Association peer reviews and CIPFA financial healthchecks but local public audit has been unable to keep up the pace with 504 external audits outstanding in England between 2015/16-2021/22 at the last count. On top of this central government does require 29 financial monitoring returns from local authorities each year.

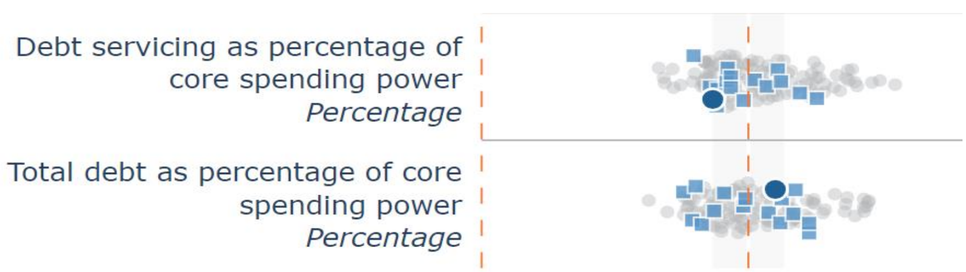
As a result of this perilous climate the Department for Levelling Up, Housing and Communities launched the Office for Local Government (Oflog) in July this year, whose purpose is to increase transparency, foster accountability and use data to further improve performance and help identify problems at an earlier stage. Using most recent financial data from the 2021/22 Revenue Outturn (RO) returns, Oflog has published benchmarking data for local authorities against others and particularly nearest neighbours. These can be found within the following link:

Local Authority Data Explorer - DLUHC Data Dashboards

As an example of what is available and relevant, the following dashboard shows Blackpool's social care spend as a percentage of its core spending power which unsurprisingly is in the highest quartile as would be expected for a local authority with such deprivation and demand. The blue circle is Blackpool, blue squares are Blackpool's statistical neighbours and the grey circles are all other local authorities:



Again, unsurprisingly the level of debt reflecting the magnitude of the regenerational programme of capital investment is above the median though not significantly, whilst the debt financing is below the median illustrating effective treasury management:



Officers will endeavour to employ this tool in future monthly financial monitoring reports.

6.11 **Conclusions and Recommendations**

The Council's Revenue Budget for 2023/24 set a target level of General Fund working balances of around £6m. However, given the current economic climate it is recommended that work continues towards target working balances of £6m by 31 March 2024 rising to £8m by 31 March 2025. Earmarked revenue reserves at the start of the financial year stood at £47.6m, though with known in-year commitments against this the balance will fall to an estimated £27.9m by the end of the year. This should still be sufficient to underwrite the current year's financial risks with a financial plan in place for the Council's wholly-owned companies (ref. Appendix 2o).

If the 2023/24 forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution the forecast revenue outturn 2023/24 within this report contravenes neither of the two specific conditions that excess spending does not:

1. exceed 1% (= £5m) 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 (= £3m).

However, these are still unprecedented times for the whole of the local government sector and in the context of relatively healthy levels of Earmarked Revenue Reserves and with 3 months of the financial year still remaining officers are working continuously to improve the position - revised service and financial plans are being developed including the review of technical accounting treatments, a continuing policy of freezing non-essential spend, a robust approach at weekly Resourcing Panel meetings to only allow the filling of critical vacant posts and the prospective redesignation of earmarked reserves should they need to be used.

6.12 Does the information submitted include any exempt information?

No

7.0 List of Appendices:

Appendix 2a - Revenue Summary
Appendix 2b - Chief Executive
Appendix 2c - Governance and Partnership Services
Appendices 2c/d - Ward Budgets
Appendix 2e - Resources
Appendix 2f - Communications and Regeneration
Appendix 2g - Strategic Leisure Assets
Appendix 2h - Growth and Prosperity
Appendix 2i - Community and Environmental Services
Appendix 2j - Adult Services
Appendix 2k - Children's Services
Appendix 2l - Public Health
Appendix 2m - Budgets Outside the Cash Limit
Appendix 2n - Housing Revenue Account
Appendix 2o - Wholly-owned companies
Appendix 2p - Budget Savings performance
Appendix 2q - Capital Monitoring
Appendix 2r - Cash Flow Summary
Appendix 2s - General Fund Balance Sheet Summary

8.0 Financial considerations:

8.1 As outlined in this report and appendices.

9.0 Legal considerations:

9.1 None.

10.0 Risk management considerations:

10.1 Impact of financial performance against approved Revenue budgets and upon Council reserves and balances.

11.0 Equalities considerations and the impact of this decision for our children and young people:

11.1 An Equalities Impact Assessment was produced as a part of the budget-setting process and remains relevant.

12.0 Sustainability, climate change and environmental considerations:

12.1 None directly from this report.

13.0 Internal/ External Consultation undertaken:

13.1 None.

14.0 Background papers:

14.1 None.

15.0 Key decision information:

15.1 Is this a key decision? No

15.2 If so, Forward Plan reference number:

15.3 If a key decision, is the decision required in less than five days? N/A

15.4 If **yes**, please describe the reason for urgency:

16.0 Call-in information:

16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

16.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

17.0 Scrutiny Committee Chairman (where appropriate):

Date informed: Date approved:

18.0 Declarations of interest (if applicable):

18.1

19.0 Summary of Discussion:

19.1

20.0 Executive decision:

20.1

21.0 Date of Decision:

21.1

22.0 Reason(s) for decision:

22.1

23.0 Date Decision published:

23.1

24.0 Alternative Options Considered and Rejected:

24.1

25.0 Executive Members present:

25.1

26.0 Call-in:

26.1

27.0 Notes:

27.1