BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

7th DECEMBER 2015

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 7 2015/16

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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 2015/16, i.e. the period to 31st October 2015, 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 plus 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 - Deputy Chief Executive
- Appendix 3c - Governance and Regulatory Services
- Appendix 3c/d - Ward Budgets
- Appendix 3e - Resources
- Appendix 3f - Places
- Appendix 3g - Strategic Leisure Assets
- Appendix 3h - Community and Environmental Services
- Appendix 3i - Adult Services
- Appendix 3j - Children's Services
- Appendix 3k - Public Health
- Appendix 3l - 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 2015/16. 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.

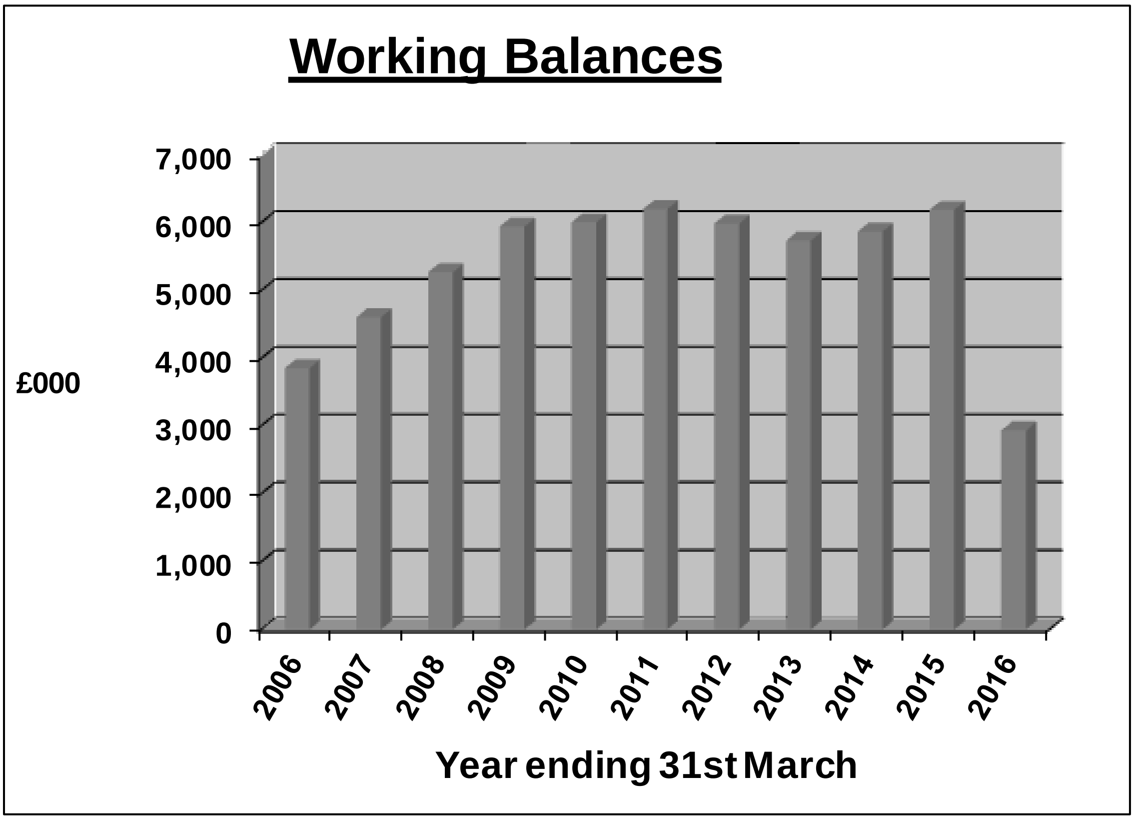
3. Directorates' Budget Performance

3.1 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 £3,256k for 2015/16 are summarised below:-

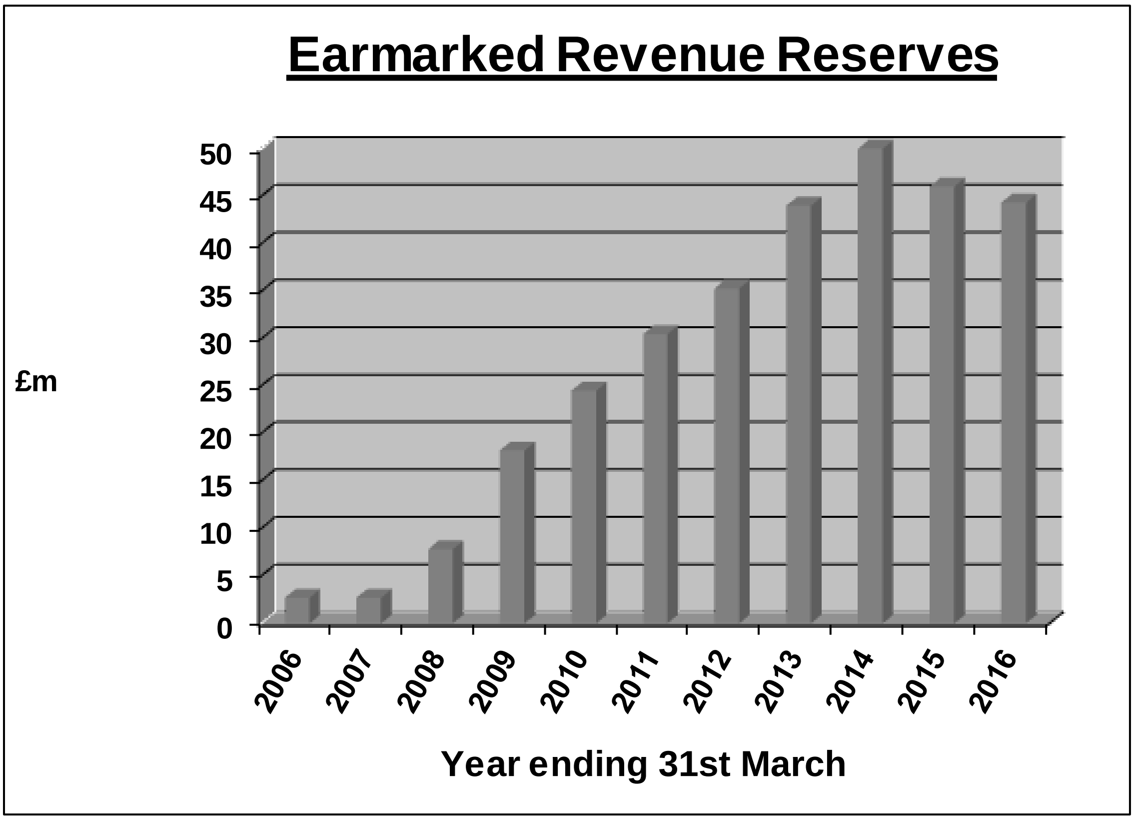
Directorate	**Service**	**Forecast Variance £000**
Children's Services	An overspend of £2,468k is forecast. Children's Social Care is forecast to overspend by £1,130k, particularly because of the high cost of Looked After Children (LAC). Whilst numbers have stabilised at between 440 and 460 for over 12 months, the overspend is due to placement mix. There is an imbalance between the reduced Education Services Grant and the commitments against it showing a £1,085k pressure which is due to both historical and in-year academy conversions. There are overspends in Local Services Support Grant of £104k, Children's Safeguarding of £116k and Lifelong Learning and Schools of £128k mitigated by savings of £95k in Early Help for Children and Families.	2,468
Public Health	An overspend of £1,207k is forecast due to the in-year reduction of grant from the Department of Health. Following on from the Department of Health public consultation on the in-year cut to the Public Health grant, this has resulted in a 6.2% cut for all Local Authorities, reducing the grant by £1.207m from £19.497m to £18.29m.	1,207
Resources	Property Services is forecasting a £682k overspend based on the current pace of property rationalisation and pressure from rental income within the Central Business District. Other pressures within the directorate are mainly due to staffing costs, but, these have been mitigated by savings of £99k in Procurement and Projects and £51k in Revenues, Benefits and Transactional Services.	601
Adult Services	Adult Commissioning Placements and Care and Support are forecasting an overspend of £364k. This in-year shortfall is as a result of the delay to the review programme for commissioning. Adult Safeguarding is forecasting an overspend of £119k as a result of additional legal and staffing costs not covered by New Burdens Funding.	467

Community and Environmental Services	Waste Management has a pressure of £34k due to a decrease in income from recycling waste arising from a downturn in the recyclate market. The £856k PFI Grant is no longer available and is subject to Judicial Review with the risk being covered against the specific Waste PFI reserve. A Travel and Road Safety pressure of £167k is undergoing a review and there are pressures of £148k in Leisure due to a lower income forecast. These are partially mitigated by various other savings and pressures across the remaining services.	333
Places	The Directorate has a pressure of £49k. Print Services is forecasting an overspend of £49k due to an income target that needs to be reviewed as part of a wider review of the service.	49
Governance and Regulatory Services	An underspend of £13k is forecast. An overspend of £32k in Registration and Bereavement Services is due to the levels of demand in the Coroners and Mortuary Service. This is offset by an underspend of £48k in the Democratic Governance service arising from staff savings and reduced expenditure on special events and area forums.	(13)
Deputy Chief Executive's Directorate	The Human Resources, Communication and Engagement divisions are forecasting an underspend of £27k due to staff vacancies.	(27)
Budgets Outside the Cash Limit	Concessionary Fares are forecasting a pressure of £663k due to increased bus patronage. Parking Services is £460k down on its income target. Treasury Management has a £1,231k favourable position due to the ongoing temporary windfall from the short-term interest rates payable to finance recent capital expenditure and a lower interest charge on the Local Government Reorganisation debt. The New Homes Bonus underspend of £142k is due to the Council's pro-rata share of the unused national funding from the 2014/15 New Homes Bonus, based on the Start-Up Funding Allocation. The cost to the Council of supporting the Subsidiary Companies is forecasting an underspend of £75k due to the reducing balance payback of prudentially borrowed schemes.	(322)
Strategic Leisure Assets, Contingencies / Reserves	An underspend of £1,507k is forecast. Public Health is forecasting an overspend of £1,207k and an equivalent amount is currently offset within contingencies with a further saving of £300k previously identified. Strategic Leisure Assets is forecasting a £1,246k position which is a deterioration from month 6 reflecting a position that is slightly less than forecast. In accordance with the original decision for this programme by the Executive on 7th February 2011, the projected overspend on Strategic Leisure Assets will be carried forward and transferred to Earmarked Reserves.	(1,507)
Total		**3,256**

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



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



4. Directorate Budget Savings Performance

4.1 As at 31st October 2015 71% of the 2015/16 savings target has already been delivered. The full-year forecast predicts that 87% (86% last month) will be achieved by the year-end, which takes into account anticipated pressures and savings.

5. Collection Rates

5.1 Council Tax

At the end of month 7 the collection rate for Council Tax was 60.5%. This compares to 62.7% at the same point in 2014/15.

In the light of the reductions in discount and the introduction of the Local Council Tax Reduction Scheme, the target collection rate is 98% over a 5-year collection period.

5.2 Council Tax Reduction Scheme (CTRS)

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

At the end of month 7 the collection rate for those who have to pay Council Tax Reduction Scheme, either for the first time or in addition to a proportion of their Council Tax, is 41.7%. This compares to 43.5% at the same point in 2014/15.

The likely impact for 2015/16 is that the underlying rate of collection of Council Tax Reduction Scheme will be lower than 2014/15 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 collection rate for Business Rates was 60.7%. This compares to 61.1% at the same point in 2014/15.

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

The audited Business Rate cumulative deficit as at 31st March 2015 is £11.3m. The Council's share of this is £5.54m (49%) and provision has been made for this.

6. Capital Monitoring Performance

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

6.2 As at month 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 2015/16.

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 reduced since 31st March 2015 due to the accelerated receipt of grant income. The Council uses temporary borrowing to finance prudentially funded capital expenditure. While temporary investment rates and temporary borrowing rates are low the treasury team will delay taking any new long-term borrowing to fund planned capital expenditure. The interest charged by Lancashire County Council on the Local Government Reorganisation Debt is lower than anticipated. As a result, the delay in taking new long-term borrowing and the lower interest charge from Lancashire County Council mean that a favourable credit variance is once again forecast for 2015/16.

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 Property, Plant and Equipment of £12.4m and an increase in cash and cash equivalents of £1.8m, which in the main reflects the timing of the receipt of capital grants and the phasing of the capital programme.

9. Conclusion and Recommendations

9.1 There has been an improvement in the position compared to month 6 by £306k, however, the Council is predicting a significant deterioration in its financial standing in comparison with Budget. Working balances are estimated to fall by £3,256k against the budgeted position over the year. This fall is in the context of the audited working balances at the start of the year of £6,188k, an erosion of 52.6%.

9.2 If this forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution, the forecast revenue outturn 2015/16 within this report contravenes one of the two specific conditions that excess spending does not:

1. exceed 1% (i.e. £4.4m) of the authority's total gross revenue expenditure; or

2. have the effect of reducing the authority's Working Balances below 50% of their normal target level (i.e. £3.0m).

However, in the context of £45m of Earmarked Revenue Reserves and with 5 months of the financial year remaining there should still be sufficient time to redress the position, though this will inevitably require a bringing forward of budget savings plans from next year.

9.3 As a supportive measure to give services every chance to deliver a breakeven budget, the Executive agreed at its meeting on 22nd June 2015 to carry forward only the 2014/15 underspend of £237,000 on Ward budgets to 2015/16 and that all other 2014/15 under and overspendings were to be written off.

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

9.5 The Executive is asked:

i) to note the report; and

ii) to require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, particularly in Children's Services, Public Health, Property Services, Concessionary Fares, Adult Services, Parking Services, Community and Environmental Services, and Places.

Steve Thompson
Director of Resources

19th November 2015