

BLACKPOOL COUNCIL
REPORT
of the
TREASURER
to the
EXECUTIVE
on
16TH JUNE 2014

PROVISIONAL OUTTURN 2013/2014

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 2014 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31st March 2014 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 in the Statement of Accounts for 2013/2014, which is the subject of a separate report to the Finance and Audit Committee on 18th September 2014 in order to comply with the statutory deadline required by the Accounts and Audit (England) Regulations 2011.

2. Provisional Revenue Outturn 2013/2014

- 2.1 The Provisional Revenue Outturn for 2013/2014 (before allowing for changes to working balances) is £150,120,000 compared with the approved budget of £150,254,000 – a net underspend of £134,000. The summary figures are shown at Appendix 3b.
- 2.2 The year-end variance position for each department is set out in Appendices 3c to 3l and is summarised as follows:-

Department	2013/2014 Variance £000	Reference Appendix
Chief Executive	(95)	2a
Human Resources, Communication and Engagement	(1)	2b
Democratic Services	(48)	2c
Treasurer Services	(314)	2d
Built Environment	(6)	2e
Regeneration, Tourism and Culture	280	2f
Strategic Leisure Assets	2,765	2f

Leisure and Operational Services	(4)	2g
Adult Services	81	2h
Children's Services	1,420	2i
Public Health	-	2j
Sub-total	4,078	
Area Forum and Ward Budgets	(639)	2c
Total	3,439	

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

Service	Reasons	£000
Regeneration, Tourism and Culture – Strategic Leisure Assets	A cumulative adverse variance of £2,765k exists as a result of poorer trading conditions than originally expected. There are a number of facets to the variance, including vacant units at the Golden Mile. Financial performance is currently ahead of that anticipated in the Strategic Leisure Assets Recovery plan.	2,765
Children's Services	Children's Social Care over spent by £2.8m due to the higher than expected numbers and associated cost of Looked After Children (LAC). One-off savings relating to staffing vacancies and flexible use of grant funding reduced this to £1.42m.	1,420
Regeneration, Tourism and Culture	The adverse variance relates to Marketing Blackpool; a recovery plan is in place to address this position.	280
Adult Services	A shortfall of £2.5m against the 13-14 Priority Led Budgeting target was identified early in the financial year, however, this was offset by implementing a one-off correction in the accounting treatment for deferred charges on property (£1.3m), the brought forward underspend from 2012-13 (£0.7m) and staffing vacancies (£0.5m).	81
Chief Executive / Human Resources, Communication and Engagement / Democratic Services / Treasurer Services / Built Environment / Leisure and Operational Services	The majority of these underspends relate to staff savings, increased efficiency savings and good housekeeping.	(468)
Area Forum and Ward Budgets	Scheme commitments of £264k are being carried forward to 2014/15 which reduces the true surplus on budget to £375k.	(639)
Total		3,439

The 2013/2014 figures include overspendings of £214,000 brought forward from the previous financial year. After allowing for these sums, the provisional outturn shows that departmental budgets overspent in-year by £3,225,000.

- 2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 3m and shows an aggregate underspending of £971,000. The main reasons for this are:-

Service	Reasons	£000
Parking Services	The closure of a significant number of car parks due to large scale redevelopment schemes across the town, coupled with the extremely challenging income target faced by the service have led to this overspend.	966
Concessionary Fares	This overspend is due to the popularity of the new improved tram services, and a large uptake by those eligible for concessionary fares.	956
Investment Portfolio	The majority of the overspend relates to a delay in the demolition of the former Syndicate nightclub due to legal issues. Costs have continued to be incurred and forecast parking income has not been realised.	95
Council Tax and NNDR Cost of Collection	Reduction in costs recovered.	30
Housing Benefits	-	(5)
Land Charges	-	(12)
Grants, Donations and Subscriptions	Reduction in Local Government Association Subscription	(15)
Subsidiary Companies	Primarily the good performance of the Blackpool Operating Company, which manages and operates the Sandcastle Waterpark, has led to a reduced subsidy requirement.	(146)
Treasury Management	The use of temporary borrowing and internal financing in lieu of long-term borrowing and the passporting of reduced interest by Lancashire County Council on the Local Government Reorganisation debt achieved significant savings in interest payable. Higher cash balances during the year resulted in increased temporary investment income, albeit at continuing low interest rates.	(2,840)
Total		(971)

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 provides 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 Treasurer and arising from events outside the control of the service, are added to the Council's general working balances.

3.2 Having considered the Provisional Revenue Outturn 2013/2014 in detail and the financial outlook, it is recommended that:-

- the planned overspending of £2,765,000 on the Strategic Leisure Assets, in accordance with the original decision for this scheme of the Executive on 7th February 2011, is carried forward to 2014/2015 in full;
- the following service overspending is to be written off:

Department	£000
Children's Services	1,420.0

This will allow Children's Services to enter the new financial year in a balanced position and give the Department a realistic chance in meeting its budget savings targets for that year.

- the underspending of £639,000 on Area Forum and Ward Budgets is carried forward to 2014/2015 in full;
- the following service underspendings are carried forward at 100% and covered by earmarked reserve in order not to adversely impact upon working balances if and when spent;

Department	£000
Chief Executive	95.0
Human Resources, Communication and Engagement	1.0
Democratic Services	48.0
Treasurer Services	314.0
Built Environment	6.0
Leisure and Operational Services	4.0
Total	468.0

- the following service overspendings are to be carried forward to 2014/2015 in full:

Department	£000
Regeneration, Tourism and Culture	280.0
Adult Services	81.0
Total	361.0

4. Provisional Capital Outturn 2013/2014

- 4.1. This section sets out the level of expenditure incurred by the Council on its 2013/2014 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2013/2014 should be financed.
- 4.2. The total capital expenditure for the year was £82,432,988. This is summarised as follows with an analysis of spend by individual scheme available at Appendix 3n:-

Department	£	£
Children's Services		17,984,130
Adult Services		2,666,286
Human Resources and IT		2,385,951
Leisure & Operational Services		2,508,381
Built Environment - Housing Revenue (HRA)	11,337,501	
- Private Sector Housing	4,459,347	
- Transport	16,045,832	31,842,680
Regeneration, Tourism & Culture		1,929,541
Treasurer Services		23,116,019
Total		82,432,988

- 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 and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2013/2014 of £82.4m is split between non-Housing Revenue Account of £71.1m and Housing Revenue Account of £11.3m.
- 4.4 The original Capital Programme for 2013/2014 was set at £38.5m whilst the amount actually spent in-year was 114% more than this. This does not mean that Blackpool Council has overspent on its programme, it reflects additional grants and other funding which have been confirmed and approved during the year and also brought forward unspent capital budget from 2012/2013 due to slippage.
- 4.5 It is recommended that this expenditure is funded from the following sources:-

Source	£
Loans (Supported Capital Expenditure)	0
Prudential Borrowing	39,683,298
Capital Receipts	303,923
Government and Other Grants	33,761,938
Other Sources:	
- Reserves – Public Health	200,000
- Housing Major Repairs Allowance	4,219,541
- Other Revenue Contributions	3,800,887
- NHS	731,445
- Lancashire County Council	(2,384,107)
- Lancashire County Council	1,800,000
- Other External Contributions	316,063
Total	82,432,988

The Council has maximised all capital resources available to it during 2013/2014 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2014/2015.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the collection rate for Council Tax is 93.1%. This compares to 95.5% at the same point in 2012/13.

In the light of the reductions in discount and the introduction of the Local Council Tax Reduction Scheme, the target collection rate is 98%.

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 2013/14 Budget. Unlike previous years 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 2014, the level of arrears has increased to £10.5m (compared to £8.1m in 2012/13) and the provision for bad debts has increased to £4.1m (compared to £3.3 in 2012/13). These reflect the current economic climate and the introduction of the Council Tax Reduction Scheme. If the actual collection rate is higher than 98% then the excess will be available to reduce the Council Tax in future years. If it is lower than 98% 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 (CTRS) was introduced on 1 April 2013. The scheme ensures that pensioners' support 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.

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

At the end of month 12 the collection rate for those who have to pay CTRS at 27.11% either for the first time or in addition to a proportion of their Council Tax is 69.5%. There is no comparative data for 2012/13.

The likely impact for 2014/15 is that the underlying rate of collection of CTRS will be lower than 2013/14 due to accumulated arrears.

5.3 National Non-Domestic Rate (NNDR)

Prior to 1 April 2013 National Non-Domestic Rate income was collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities as part of Formula Grant. From 1 April 2013 the income relating to Blackpool is shared between central government (50%), the Council (49%) and the Fire Authority (1%).

Consequential adjustments were made to the Formula Grant.

At the end of month 12 the collection rate for National Non-Domestic Rates is 94.9%. This compares to 94.3% at the same point in 2012/13.

The latest estimated deficit for 2013/14 is £5.3m. The Council's share of this is £2.6m (49%) and provision for this has been included in the 2013/14 revenue out-turn. The main factors causing the level of deficit are write-off of bad debts (£1.1m), provisions for bad debts (£1.6m) and appeals (£4.1m). Prior to 2013/14 these provisions were not required by central government, however they are now required to be reflected in the council's statutory accounts. The Council's share is 49%.

The level of write-offs and the provisions for bad debts and appeals reflect the current economic climate and the volatility of these areas and supports the level of earmarked reserves held by the authority. The Valuation Office Agency is committed to resolve 95% of appeals cases outstanding as at 30 September 2013 by July 2015. This increases the impact of appeal decisions on both the on-going value of the rating list and income due to backdating over a number of years.

The impact of the above is reflected in the Collection Fund for 2013/14 but will not fully impact on the Council until 2015/16 due to the methodology employed by central government to collect the data required to calculate the shares of Non Domestic Rate income for use in 2014/15 budgets.

6. Reserves and Provisions

6.1 In accordance with Local Authority Accounting Panel (LAAP) Bulletin No. 77 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 Treasurer and auditable records are maintained to that effect. Members are asked to note that:-

- The level of ear marked reserves has increased from £44m to £48.9m with those reserves in excess of £5m shown in the table below:-

<u>Earmarked Reserves</u>	2013/2014	2012/2013
Reserves over £5m:	£000	£000
Potential Pay Liabilities	6,901	8,409
PFI Schemes	12,732	11,963
Collection Fund Deficit Reserve (Council Tax and NNDR)	9,722	6,972
Other Reserves	19,582	16,635
Total Earmarked Reserves	48,937	43,979

- Leisure and Operational Services' trading activities were able to make their budgeted contribution of £100,000 to the General Fund in 2013/2014;
- the financial performance of the Housing Revenue Account (HRA) has been better than originally forecast for 2013/2014 by £1,193,000 with year-end balances of £4,187,000, which will be required in part to support the

Queens Park redevelopment scheme which is now underway; and

- maintained schools' balances (which lie outside the control of the Council) decreased by £1.2m in 2013/2014 to £4.23m, a £1.56m reduction was due to academy conversions with the remaining maintained schools adding £339k to their reserves.

7. General Fund Working Balances

- 7.1 The Council's Revenue Budget for 2013/2014 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.

8. Conclusion and Recommendations

- 8.1 The Provisional Outturn for 2013/2014 represents a solid financial performance with the Council's General Fund working balances only slightly below target at £5,869,000. As the Council continues to manage the financial constraints placed upon it, the measures proposed within this report will provide some cushion to the risks that lie ahead in the next Government Spending Review.

- 8.2 The Executive is asked to:

- approve the provisional revenue outturn for 2013/2014 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 2013/2014 and methods of scheme funding as outlined (ref. paragraphs 4.2 and 4.5);
- note the Prudential Indicator (ref. paragraph 4.3); and
- note the levels of the earmarked reserves including those for the Housing Revenue Account and maintained schools (ref. paragraph 6.1).

Steve Thompson
Treasurer