

**REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
23 MAY 2016**

PROVISIONAL OUTTURN 2015/2016

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 31 March 2016 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31 March 2016 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 2015/2016, which is the subject of a separate report to the Audit Committee on 22 September 2016 in order to comply with the statutory deadline required by the Accounts and Audit (England) Regulations 2015.

2. Provisional Revenue Outturn 2015/2016

- 2.1 The Provisional Revenue Outturn for 2015/2016 (before allowing for changes to working balances) is £129,239,000 compared with the approved budget of £128,687,000 – a net overspend of £552,000. The summary figures are shown at Appendix 1.
- 2.2 The year-end variance position for each directorate is set out in Appendices 2a to 2i and is summarised as follows:-

Directorate	2015/2016 Variance £000	Reference Appendix
Chief Executive	-	2a
Deputy Chief Executive	(31)	2b
Governance and Regulatory Services	(19)	2c
Ward Budgets	(246)	2c
Resources	111	2d
Places	127	2e
Strategic Leisure Assets (see para. 6.2)	-	2e
Community and Environmental Services	(14)	2f
Adult Services	78	2g
Children's Services	2,892	2h
Public Health	-	2i
Total	2,898	

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

Service	Reasons	£000
Children's Services	There are two main reasons for the Children's Services overspend. Children's Social Care overspent by £2.189m because of the high cost of Looked After Children (LAC) resulting from both increased numbers and placement mix. Within the grants budget there was a pressure on the Education Services Grant of £1.081m due to academy conversions. These pressures were partially offset by staff savings and additional income from the Learning and	2,892

	Schools and Early Help For Children and Families divisions.	
Places	Print Services overspent by £103k due to an income target which needs to be reviewed as part of a wider service review. Whilst Housing had Prudential borrowing costs of £30k. These overspends were partly mitigated by savings elsewhere.	127
Resources	Property Services overspent as a result of delays in implementing savings plans and a pressure from rental income within the Central Business District. These overspends were partially offset by staffing savings across the remainder of the Resources Directorate.	111
Adult Services	Within the service two divisions overspent: Care and Support as a result of delays in implementing savings plans and Adult Safeguarding from unfunded demand increases for Deprivation of Liberty/Best Interest Assessments. These over spends were partially offset by staffing savings in Adult Social Care.	78
Community and Environmental Services	Leisure was £94k overspent due to income pressures. Transport was overspent by £154k due to pressures on the shelter income and maintenance budgets. Building Cleaning was £43k overspent due to a combination of income and staffing costs pressures. These were offset by various savings across the Directorate.	(14)
Governance and Regulatory Services	An overspend of £84k in Registration and Bereavement Services due to the levels of demand in the Coroners and Mortuary Service was more than offset by underspends on staffing and reduced expenditure across the rest of the Directorate.	(19)
Deputy Chief Executive	Underspend partly due to savings in premises related expenditure.	(31)
Area Ward Budgets	Scheme commitments of £246k are being carried forward to 2016/2017 which reduces the true surplus on budget to zero.	(246)
Total		2,898

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 5I and shows an aggregate underspending of £2,288,000. The main reasons for this are:-

Service	Reasons	£000
Concessionary Fares	This overspend of £583k is due to increased bus patronage.	583
Parking Services	The service is overspent due to not meeting its stretched income target. However, it has significantly improved its income collection performance. This was helped in part by 2 Easter holiday periods falling within the same financial year.	176
Previous Years' Pension Liability	Increase in costs due to number of retirements and pension fund performance on financial markets.	33
Land Charges/Housing Benefits/Council Tax and NNDR Cost of Collection	Mainly reduction in costs recovered	12
Subsidiary Companies	This underspend is due to the reducing balance payback of Prudentially borrowed schemes.	(123)
New Homes Bonus	This underspend is due to the Council's pro-rata share of the unused national funding from the 2014/15 New Homes Bonus. This is based on the Start-Up Funding Allocation.	(141)
Treasury Management	The Treasury Management Strategy for 2016/17 contained details of a change in MRP policy affecting the Treasury Management Outturn 2015/2016 and subsequent years. The revised policy adopts a more prudent approach, replacing the 4% reducing balance method of calculating MRP on debt which arose prior to 1 st April 2008 with the 2% straight line method. As a result the MRP charge for 2015/16 reduces by £1.4m. In addition the use of temporary borrowing and internal financing has enabled long-term borrowing to be delayed, therefore achieving savings against interest payable.	(2,828)
Total		(2,288)

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 2015/2016 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £246,000 on Ward Budgets is carried forward to 2016/2017 in full;
- the following under and overspendings are to be written off:

Directorate	£000
Children's Services	2,892
Places	127
Resources	111
Adult Services	78
Deputy Chief Executive	(31)
Total	3,177

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 that year.

- the following underspendings are carried forward at 100% and covered by earmarked reserve in order not to adversely impact upon working balances if and when spent.

Directorate	£000
Community and Environmental Services	(14)
Governance and Regulatory Services	(19)
Total	(33)

4. Provisional Capital Outturn 2015/2016

- 4.1. This section sets out the level of expenditure incurred by the Council on its 2015/2016 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2015/2016 should be financed.
- 4.2. The total capital expenditure for the year was £35,932,914. This is summarised as follows with an analysis of spend by individual scheme available at Appendix 5m:-

Directorate	£
Children's Services	2,247,144
Adult Services	1,864,237
Deputy Chief Executive	380,906
Community and Environmental Services	18,077,129
Places	12,529,327
Governance and Regulatory Services	130,740
Resources	703,431
Total	35,932,914

- 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 2015/2016 of £35.9m is split between non- Housing Revenue Account of £29.0m and Housing Revenue Account of £6.9m.
- 4.4 The original Capital Programme for 2015/2016 was set at £21.6m whilst the amount actually spent in-year was 66% greater than this. This is mainly due to new approvals given for schemes during the year and the large brought forward budget from previous years.
- 4.5 It is recommended that this expenditure is funded from the following sources:-

Source	£
Government and Other Grants	23,024,579
Prudential Borrowing	1,866,819
Capital Receipts	1,566,898
Other Sources:	
- Housing Major Repairs Allowance	3,983,018
- Revenue	3,930,920

- Lancashire County Council	734,631
- Vehicle Plant and Equipment reserve	582,170
- Section 278	204,790
- Other External Contributions	39,089
Total	35,932,914

The Council has maximised all capital resources available to it during 2015/2016 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2016/2017.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the collection rate for Council Tax was 90.7%. This compares to 92.4% at the same point in 2014/2015, a difference equivalent to £950,000.

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 2015/2016 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 2016 the level of arrears has increased to £13.5m (compared to £12m in 2014/2015) and the provision for bad debts has increased to £5.2m (compared to £4.7m in 2014/2015). These reflect the current economic climate and the risks associated with 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 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 was 95.1%. This compares to 95.1% at the same point in 2014/2015.

The deficit for 2015/2016 is estimated to be £5.2m. The Council's share of this is £2.5m (49%) and provision for this has been included in the 2015/2016 revenue outturn. The main factors causing the level of deficit are the in-year movements on write-off of bad debts (£1.6m), provisions for bad debts (£0.1m) and appeals provision (£3.3m).

The level of write-offs and the provisions for bad debts reflect the current economic climate and the volatility of these areas and support the level of earmarked reserves held by the authority. The substantial increase in the appeals provision is due to the large volume of appeals still being submitted to the Valuation Office. The total appeals provision as at 31st March 2016 was £13.3m.

The above figures are estimated and final figures will not be available until completion of the NNDR 3 return to the Department for Communities and Local Government. The figures will be reflected in the Collection Fund for 2015/2016, but will not fully impact on the Council until 2017/2018 due to the methodology employed by central government to collect the data required to calculate the shares of Non-Domestic Rate income.

5.3 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme (CTRS) was introduced on 1st 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 volatility in the data used in projections.

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 increased from £46.024m to £46.961m during 2015/2016 with those reserves in excess of £2m shown in the table below:-

Earmarked Reserves	2014/2015	2015/2016
	£000	£000
Public/Private Partnerships	14,042	15,532
Collection Fund Deficit Reserve (Council Tax and NDR)	12,275	14,971
Potential Pay Liabilities	3,231	1,314
Service Variances	5,199	707
Other Reserves	11,277	14,437
Total Earmarked Reserves	46,024	46,961

- 6.2 The Strategic Leisure Assets cumulative overspend of £3,309,000 brought forward from 2014/2015 is included within earmarked reserves along with the 2015/2016 in-year overspend of £1,503,000. It is now forecast that the portfolio will break-even in 2021/2022 when it will then start to repay the overspend. This is in line with the Medium Term Financial Plan.
- 6.3. The financial performance of the Housing Revenue Account (HRA) is estimated to be better than originally forecast for 2015/2016 by £632,000, with estimated year-end balances of £6,902,000 which will be required in the main to support the Queens Park redevelopment scheme which is well underway.
- 6.4. Maintained schools' balances (which lie outside the control of the Council) increased by £133,000 in 2015/2016 to £3.1m. A £103,000 reduction was due to academy conversions with the remaining maintained schools adding £236,000 to their reserves. £1.76m is also held in an earmarked reserve in relation to unspent Direct Schools Grant.

7. General Fund Working Balances

- 7.1 The Council's Revenue Budget for 2015/2016 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.

8. Conclusion and Recommendations

- 8.1 The Provisional Outturn for 2015/2016 represents a solid financial performance with the Council's General Fund working balances at £5,636,000. 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 Round.
- 8.2 The Executive is recommended to:
- approve the provisional revenue outturn for 2015/2016 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 2015/2016 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, 6.3 and 6.4).

Steve Thompson
Director of Resources
May 2016