BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

12 SEPTEMBER 2016

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 3 2016/17

---

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 3 months of 2016/17, i.e. the period to 30 June 2016, 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.

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 (now disaggregated)
- Appendix 3c - Governance and Partnership 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 2016/17. 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 and reflects the disestablishment of the Deputy Chief Executive's Directorate with teams moving to other directorates. 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 As a supportive measure to give services every chance to deliver a breakeven budget, the Executive agreed at its meeting on 23rd May 2016 to write-off all service overspends and carry forward the 2015/16 underspends of £279k on Ward Budgets (£246k), Governance and Partnership Services (£19k) and Community & Environmental Services (£14k).

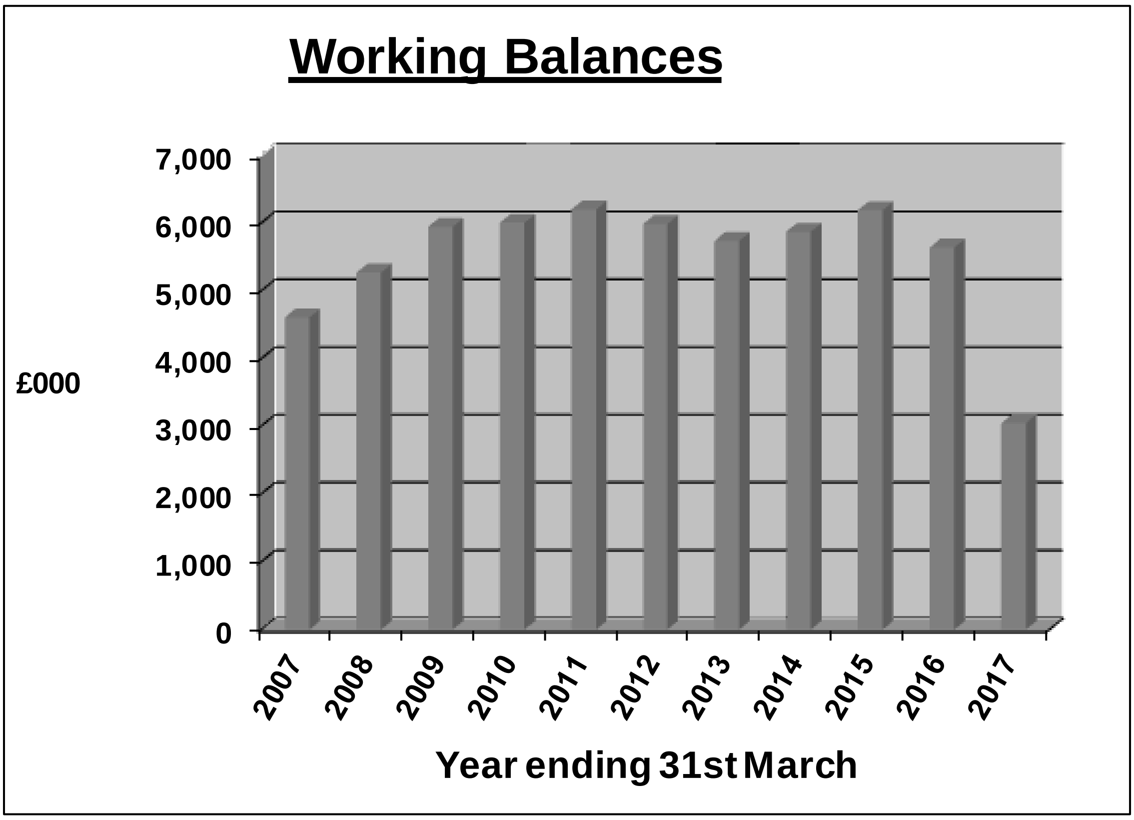
3.2 The impacts of directorates' revenue budget performance and progress in achieving planned savings fall upon the Council's working balances. The main areas accounting for the month 3 forecast overspend of £2,592k for 2016/17 are summarised below:-

Directorate	**Service**	**Forecast Variance £000**
Children's Services	An overspend of £2,021k is forecast. Children's Social Care is forecast to overspend by £2,025k, £1,334k is due to increases in the numbers and average placement cost of Looked After Children (LAC) and £691k is due to a shortfall in meeting the challenging 2016/17 Priority Led Budgeting (PLB) savings target of £1,222k. There are overspends in the Education Services Grant of £86k due to the anticipated loss of funding arising from in-year academy conversions and Lifelong Learning and Schools of £42k. These are mitigated by savings of £113k in Early Help for Children and Families and the Local Services Support Grant of £19k.	2,021
Resources	Property Services is forecasting a £480k 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 and income pressures, but these have been mitigated by savings of £55k in Procurement and Development and £38k in Revenues, Benefits and Exchequer Services.	418
Places	The Directorate has a pressure of £364k. Print Services is forecasting an overspend of £86k due to an income target that needs to be reviewed as part of a wider service review. Cultural Services is expecting a £63k overspend due to a shortfall in funding the Grundy Art Gallery. Other pressures include staffing pressures of £63k in the Planning Department, prudential borrowing costs relating to the Foxhall Village development of £30k and unidentified savings of £122k in Visitor Economy.	364

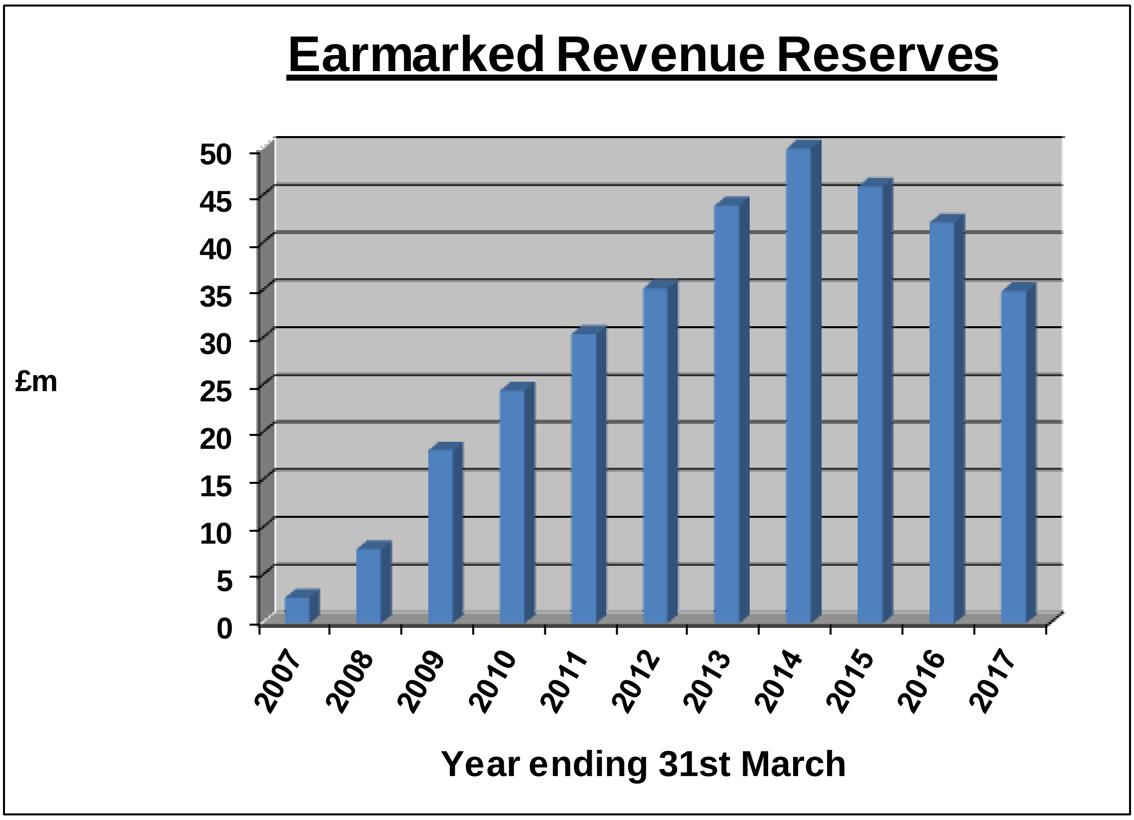
Community and Environmental Services	Street Cleansing and Waste has a pressure of £183k due mainly to a decrease in income from recycling waste arising from a downturn in the recyclate market and higher staffing costs. The £856k PFI Grant is no longer available and is being considered along with Lancashire County Council in the review of the operation of the recycling plants with the risk being covered against the specific Waste PFI reserve. Highways and Traffic Management Services are over budget by £104k due to pressures of £68k on Shelter income and £36k on vehicles due to the provision for future replacements. Public Protection has a forecast pressure of £67k due to the South Beach Selective Licensing Scheme. Integrated Transport is forecasting an overspend of £48k due to pressures on the public transport contracts. These are mitigated by an underspend of £93k in Leisure and Catering due to savings in provisions.	308
Governance and Partnership Services	An overspend of £107k is forecast. The Community Engagement and Equalities division is forecasting a pressure of £43k due to unallocated savings and staffing costs. Corporate Legal Services is forecasting a pressure of £34k mainly due to an unachieved PLB target and an income shortfall. A pressure of £30k in Registration and Bereavement Services is due to the forecast level of demand in the Coroners and Mortuary Service.	107
Adult Services	Adult Safeguarding is forecasting an overspend of £146k as a result of additional legal and staffing costs, relating to Deprivation of Liberty (DoLs) case law, which is not covered by New Burdens funding of £101k and a pressure of £45k relating to the timing of a staffing restructure within Adults and Children's Safeguarding. These are mitigated by Adult Commissioning Placements and Care and Support who are forecasting an underspend of £136k and projected savings of £5k in the Commissioning and Contracts Team.	5
Budgets Outside the Cash Limit	The cost to the Council of supporting the Subsidiary Companies is an underspend of £8k. Parking Services is £250k down due to a challenging income target. The position has improved on month 2 due to increased optimism on patronage and reduced costs. Concessionary Fares are forecasting a pressure of £556k mainly due to increased bus patronage and the impact of fare increases. Treasury Management has a £829k favourable position due to the ongoing temporary windfall from the short-term interest rates currently being paid to finance recent capital expenditure.	(31)

Strategic Leisure Assets, Contingencies / Reserves	Strategic Leisure Assets is forecasting a £1,113k pressure. 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. The forecast accumulative deficit as at 31st March 2017 is £5,900k. This incorporates the increased debt financing costs associated with the former Tower Lounge development and essential Tower steel structure renewal, together with increased marketing costs and revised income profile. The Leisure Assets portfolio is currently forecast to breakeven, in year, during 2021/22. A review of contingencies has released £600k.	(600)
Total		**2,592**

3.3 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:



3.4 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 overleaf:



4. Directorate Budget Savings Performance

4.1 As at 30th June 2016 79% of the 2016/17 savings target has already been delivered. The full-year forecast predicts that 87% (83% last month) will be achieved by the year-end, which takes into account anticipated pressures and savings.

4.2 The full-year effect of the 2016/17 savings in 2017/18 amounts to 90% of the 2016/17 target which reflects any non-recurrent savings. This excludes any in-year pressures/savings.

5. Collection Rates

5.1 Council Tax

At the end of month 3 the amount collected for Council Tax (including Police and Fire precepts) was £16.5m and the collection rate was 26.8%. This compares to £16.3m and 27.7% at the same point in 2015/16.

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 25th January 2016 as part of the setting of the Council Tax Base for 2016/17.

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 3 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 17.3%. This compares to 19.1% at the same point in 2015/16 and is the principal cause of the overall collection rate deteriorating.

The likely impact for 2016/17 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2015/16 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 3 the amount collected for Business Rates was £14.0m and the collection rate was 25.5%. This compares to £13.8m and 25.5% at the same point in 2015/16.

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.

The unaudited Business Rate cumulative deficit as at 31st March 2016 is £4.58m. The Council's share of this is £2.24m (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 The report includes the capital programme as approved by the Executive in February 2016 together with some additional schemes that have been approved subsequently. The month 3 report has traditionally included this data for comparative purposes. Future reports may show some changes in the capital programme, representing schemes that are not currently finalised or funding confirmed.

6.3 As at month 3 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 2016/17.

7.2 During the first 3 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 increased since 31st March 2016 due to the change in the timing of the receipt of grant income in the first three months. The Council is currently using temporary borrowing to finance prudentially funded capital expenditure. While temporary investment rates and temporary borrowing rates are low the treasury team is delaying 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 2016/17.

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 3. 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 From 1st April 2016 local authorities must account for the Highways Network Asset in line with International Accounting Standard 16 *Property, Plant and Equipment*. The Highways Network Asset includes carriageways, footways, cycle paths, street furniture, traffic management and land and has been brought onto the balance sheet under Property, Plant and Equipment for 2016/17. The estimated value of the Highways Network Asset is £1,460m. A corresponding credit has been brought into the Capital Adjustment Account within Unusable Reserves. There is no requirement to reflect this in the 2015/16 balance sheet.

8.3 Over the 3-month period, in addition to the inclusion of the Highways Network Asset, there has been an increase in spend on Capital schemes included within Property, Plant and Equipment of £13.3m and an increase in cash and cash equivalents of £7.5m, 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 This is the first formal detailed directorate report of the 2016/17 financial year. Although an improvement upon the internally-reported forecasts as at months 1 and 2, which are typically too early in the year to make any precise assessment, the Council is still predicting a significant deterioration in its financial standing in comparison with Budget. Working balances are estimated to fall by £2,592k against the budgeted position over the year. This fall is in the context of the unaudited working balances at the start of the year of £5,636k, a reduction of 46.0%.

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 2016/17 within this report contravenes neither of the two specific conditions that excess spending does not:

1. exceed 1% (i.e. £4.3m) 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).

In the context of £35.0m of Earmarked Revenue Reserves and with 9 months of the financial year remaining there should still be sufficient time to redress the position and revised service and financial plans are underway to do so.

9.3 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.

9.4 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, specifically Children's Services, Strategic Leisure Assets, Concessionary Fares and the Investment Portfolio.

Steve Thompson
Director of Resources