

**BLACKPOOL COUNCIL**  
**REPORT**  
**of the**  
**DIRECTOR OF RESOURCES**  
**to the**  
**EXECUTIVE**  
**8<sup>TH</sup> SEPTEMBER 2014**

---

---

**FINANCIAL PERFORMANCE MONITORING AS AT MONTH 3 2014/2015**

---

---

**1. Introduction**

- 1.1 This report is the first of the standard monthly financial performance monitoring reports for 2014/2015 and sets out the summary revenue budget position for the Council and its individual directorates for the first 3 months of 2014/2015, ie. the period to June 2014, together with an outlook for the remainder of the year. The report is complemented with an assessment of progress to date against the Council's latest capital programme.

**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 3d - Area Forum and 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 which continue to be prepared on a full accruals basis and focus on the forecast revenue and capital outturns for 2014/15. 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. Also included is a graph which shows the monthly progress of cumulative net revenue expenditure against the approved budget.

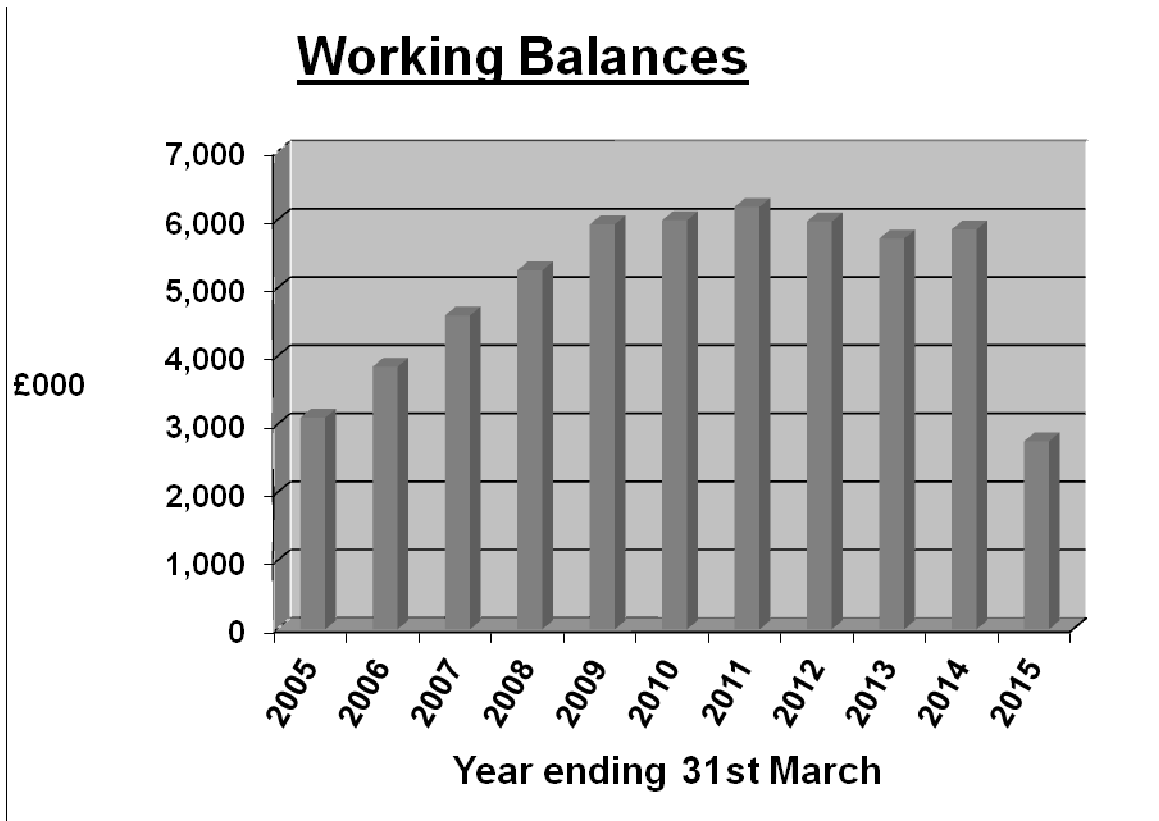
- 2.2 The combined effect of the directorates' financial performances is aggregated in a summary financial statement at Appendix 1 which mirrors the Council's Revenue Budget Book as restructured. This summary allows proactive month-on-month monitoring of the Council's forecast working balances to be 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

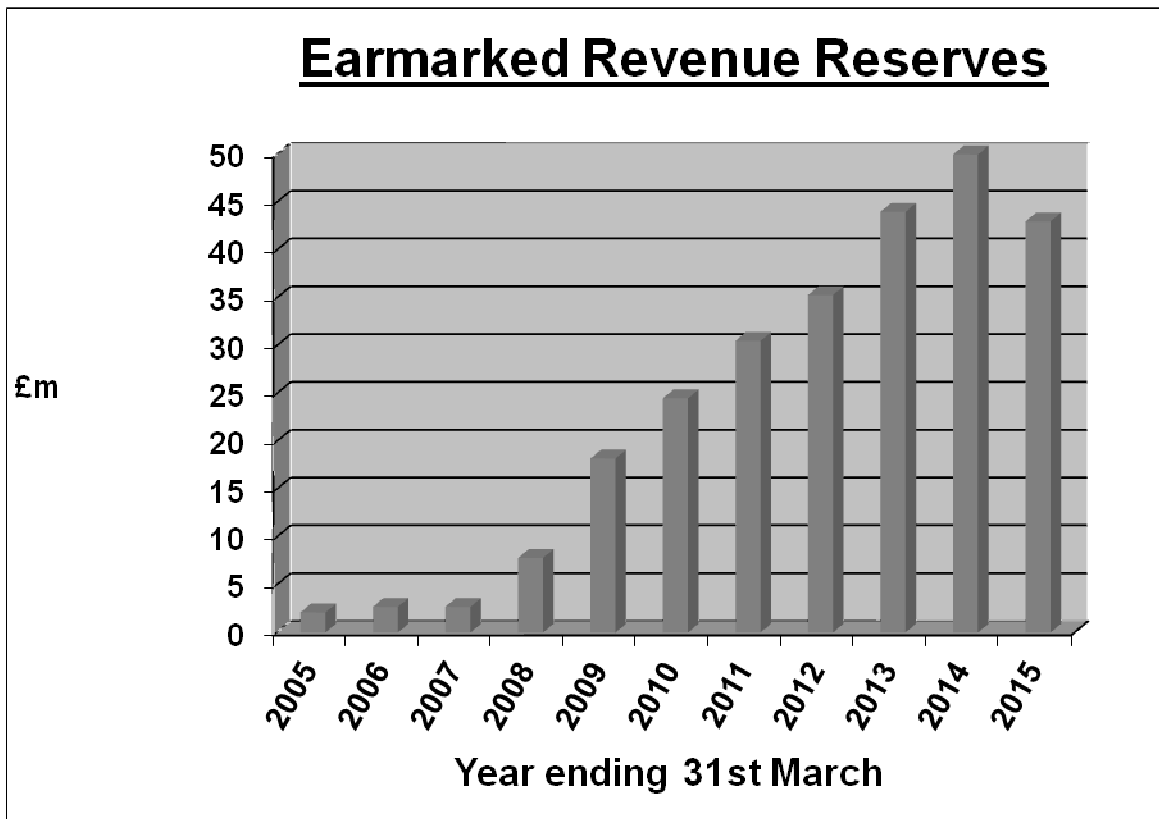
3.1 The impacts of directorates' revenue budget performance and progress in achieving planned savings fall upon the Council's working balances. The main areas accounting for the month 3 forecast overspend of £3,109k for 2014/15 are summarised below:-

Directorate	Service	Forecast Variance £000
Children's Services	Within the £1,842k overspend Children's Social Care is forecast to overspend by £932k, particularly because the reduction in the number of Looked After Children is not meeting plan. An imbalance between the reduced Education Services Grant and the commitments against it (£688k pressure) is to be dealt with based on a plan which is being prepared by the Deputy Director of Children's Services. Further pressures are also predicted, in particular in Early Help for Children and Families (£191k).	1,842
Adult Services	Adult Commissioning Placements are forecasting an overspend of £1,218k. Safeguarding is forecasting a £400k overspend following recent Deprivation of Liberty (DoL) cases, partially mitigated by £54k staff savings. More work is needed to identify recurrent savings in this directorate.	1,545
Community and Environmental Services	With Project 30 pressures being underwritten by Local Transport Plan funding, the remaining financial pressures are: Travel & Road Safety (£352k) which is awaiting management action, Building Services (£192k) which is being reviewed, and Building Cleaning (£131k) where savings are lower than anticipated.	675
Governance and Regulatory Services	The Directorate's pressure of £125k has arisen in Cemeteries and Crematorium, which temporarily has reduced capacity.	125
Places	The Directorate's pressure of £114k mainly comprises £100k which is the remaining balance of the brought forward overspend by Visit Blackpool, for which a recovery plan is in place.	114
Resources	Property and Asset Management is forecasting a £162k pressure, particularly from the leisure centres. Legal Services is forecasting an overspend of £103k and Customer First £83k. These have been mitigated by other savings within the directorate.	99
Contingencies / Reserves, Strategic Leisure Assets	This favourable position is due to the release of uncommitted prior year Public Health funding (£300k) and the adjustment to reserves to cover the net 2013/14 overspend. Current trading within Strategic Leisure Assets is breaking even.	(155)
Area Forum and Ward Budgets	The forecast underspend of £500k is based on previous years' spend patterns.	(500)
Budgets Outside Cash Limit	Parking Services is £959k down on its income target. The Investment Portfolio will overspend by £88k as a consequence of the delay in demolishing the Syndicate building. Treasury Management has a £1,688k favourable position due to the continuing temporary windfall on low interest rates payable.	(636)
<b>Total</b>		<b>3,109</b>

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 and In-year Budget Balancing**

- 4.1 As at 30<sup>th</sup> June 64% of the 2014/2015 savings target of £15.8m had already been delivered and this increases to 92% when extrapolating the full-year effect. This is a very encouraging position after only 3 months.
- 4.2 The in-year target of £15.8m included an assumption that £1,616k would be met from an increment freeze to staff's terms and conditions. Following subsequent extensive consultation, full Council agreed on 25<sup>th</sup> June 2014 to replace this proposal with a pay freeze (£1,016k) together with chief officer / senior officer disestablishments (£150k) and procurement savings (£450k), the latter resulting from the deed of variation to the existing Joint Working Agreement relating to the Lancashire Municipal Waste Private Finance Initiative as approved by Executive on 21<sup>st</sup> July.

Extensive consultation was undertaken on the proposal for a pay freeze and following representations made by staff and unions it was agreed to consider alternative ways of funding the pay award in 2014/2015. As at the date of this report no formal agreement to a national pay offer to local government employees has been made, but assuming that this will eventually materialise and at the expected 1.0% then the current year's Revenue Budget would have an imbalance of £1,016k.

Having reviewed the aforementioned Earmarked Reserves in the context of current information, it is the recommendation of the Director of Resources that this in-year gap be met by the following:

- £852k, the latest estimate of the cost of a 1.0% pay award, from the Earmarked Reserve for Potential Pay Liabilities (a reserve established to meet the costs of redundancies, pension strain, restructures and equal pay claims) on the basis that settlement has recently been reached with the 2 main legal firms dealing with first generation Equal Pay claims; and
  - the balance of £164k from Contingencies.
- 4.3 2015/2016 is the 3<sup>rd</sup> year of the Council's current 3-year Revenue Budget. The planning, preparation and finessing of next year's Budget will be commencing this month. The previous budget gap for that year as reported in February 2014 was £19.8m. Funding the 2014/2015 pay award by the method proposed will create a further pressure in 2015/16, which, along with other adverse announcements such as changes to the Better Care Fund and removal of the local welfare assistance grant, reinforce the importance of ensuring that this year's Budget is managed appropriately.

#### **5. Collection Rates**

##### **5.1 Council Tax**

At the end of month 3 the collection rate for Council Tax was 26.4%. This compares to 26.8% at the same point in 2013/14.

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

##### **5.2 Council Tax Reduction Scheme (CTRS)**

Council Tax Reduction Scheme was introduced on 1<sup>st</sup> 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

18.2%. This compares to 17.9% at the same point in 2013/2014.

There is a possibility that for 2014/2015 the underlying rate of collection of Council Tax Reduction Scheme will be lower than 2013/2014 due to accumulated arrears.

### 5.3 Business Rates

Prior to 1<sup>st</sup> 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 1<sup>st</sup> April 2013 the Business Rate 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 collection rate for Business Rates was 24.9%. This compares to 26.4% at the same point in 2013/14.

The estimated Business Rate deficit for 2013/14 was £2.82m. The Council's share of this is £1.38m (49%) and provision was included in the 2013/14 revenue accounts.

## 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 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 2014/15.

7.2 During the first 3 months of the year the Council's net cashflow has resulted in a decrease in the level of temporary borrowing due to the receipt of front-loaded Government Grants. While temporary borrowing rates and temporary investment rates are low, the Treasury Team will continue to delay taking any new long-term borrowing to fund planned capital expenditure. Similarly the interest charged by Lancashire County Council on the Local Government Reorganisation Debt is lower than anticipated. As a result of these 2 measures a favourable credit variance is once again forecast for 2014/2015.

## 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 the quarter. 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 3-month period there has been an increase in Property, Plant and Equipment of £14.5m, a decrease in short-term borrowing of £12.1m and a decrease in creditors of £8.9m, which in the main reflect the aforementioned front-loading of Government Grants.

## 9. Conclusion and Recommendations

- 9.1 This is the first formal financial performance monitoring report of the 2014/2015 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 £3,109k against the budgeted position over the year. This fall is in the context of working balances at the start of the year of £5,869k, an erosion of 53%.
- 9.2 If this forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution the two specific conditions that excess spending does not:
- exceed 1% (ie. £1.4m) of the Authority's net revenue expenditure; and
  - have the effect of reducing the Authority's reserves and working balances below 50% of their normal projected level (ie. £3.0m)
- would be contravened. However, with 7 months of the financial year remaining there should still be sufficient time to redress this position, though this will inevitably require a bringing forward of budget savings plans from next year.
- 9.3 As a supportive measure it is the recommendation of the Director of Resources that the Executive reconsiders its previous decision of 16<sup>th</sup> June 2014 that underspending services in 2013/2014 could carry forward their budget surpluses into 2014/2015 and instead that these underspends (with the exception of Area Forum and Ward Budgets) totalling £462,000 be redirected to bolster working balances. This would at least have the effect of taking forecast working balances to £3.2m and above 50% of their normal projected level.
- 9.4 The Executive is asked to:
- i) To note the report and require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, particularly in Children's Services, Adult Services, Parking Services and Community and Environmental Services;
  - ii) To recommend to Council that that the in-year budget gap explained at paragraph 4.2 be met by transferring £852,000 from the Earmarked Reserve for Potential Pay Liabilities and the balance of £164,000 from Contingencies; and
  - iii) To reconsider its previous decision of 16<sup>th</sup> June 2014 that underspending services in 2013/2014 could carry forward their budget surpluses into 2014/2015 and accept the Director of Resources' recommendation that these underspends (with the exception of Area Forum and Ward Budgets) totalling £462,000 be redirected to bolster working balances.

Steve Thompson  
Director of Resources