

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

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**FINANCIAL PERFORMANCE MONITORING AS AT MONTH 4 2014/15**

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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 4 months of 2014/15, ie. the period to July 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 statements which continue to be prepared on a full accruals basis and focus on the forecast revenue and capital outturns for 2014/2015. 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.

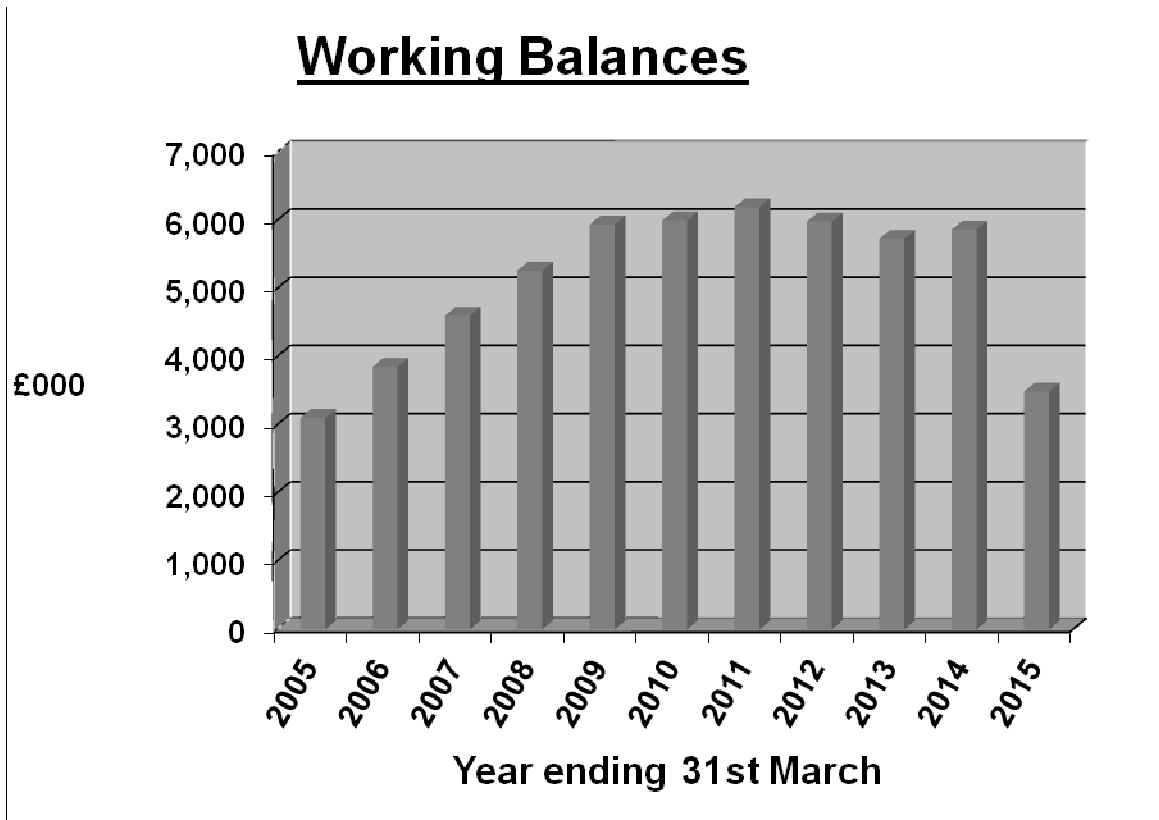
- 2.2 The combined effect of the directorates' financial performances is aggregated in a summary financial statement at Appendix 1 which mirrors the Council's Revenue Budget Book as restructured. This summary allows proactive month-on-month monitoring of the Council's forecast working balances to be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

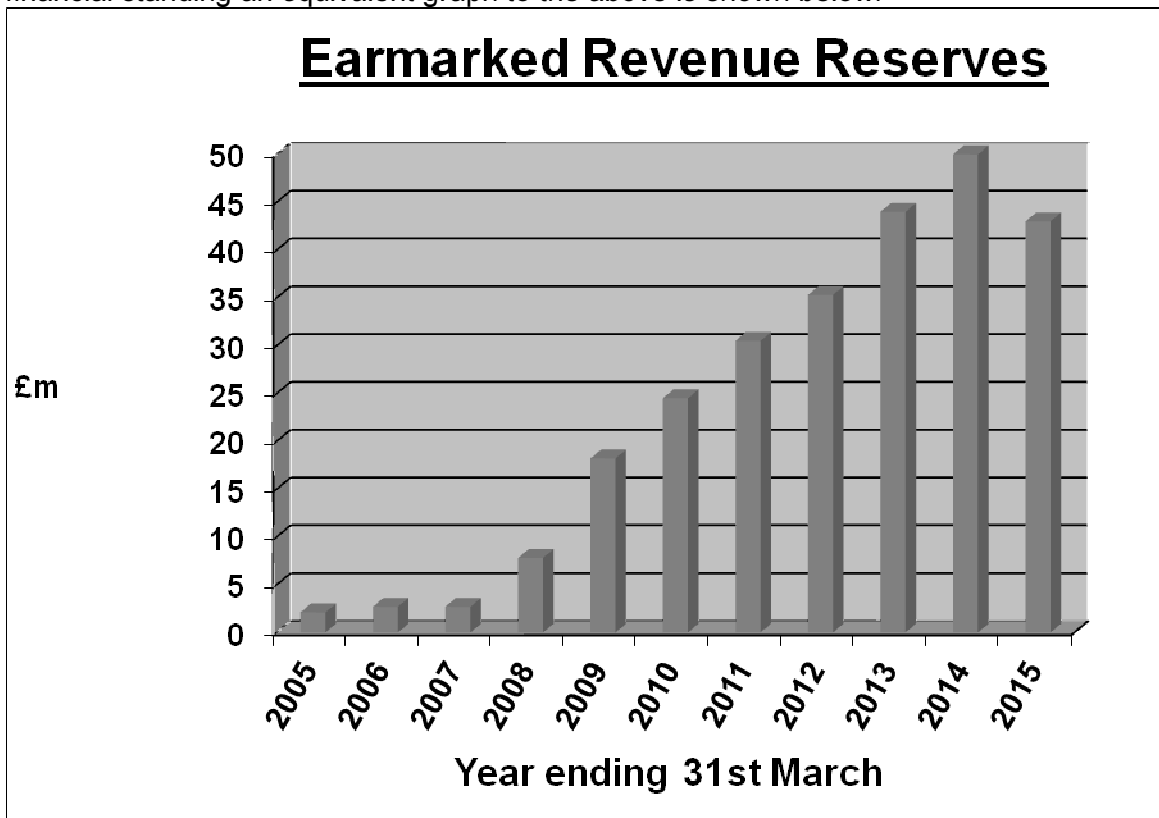
- 3.1 The impacts of directorates' revenue budget performance and progress in achieving planned savings fall upon the Council's working balances. The main areas accounting for the month 4 forecast overspend of £2,376k for 2014/15 are summarised below:-

Directorate	Service	Forecast Variance £000
Children's Services	Within the £1,799k overspend Children's Social Care is forecast to overspend by £1,055k, particularly because the reduction in the number of Looked After Children is not meeting plan. There is a further imbalance between the reduced Education Services Grant and the commitments against it (£713k pressure).	1,799
Adult Services	Adult Commissioning Placements are forecasting an overspend of £1,076k. Safeguarding is forecasting a £400k overspend following recent Deprivation of Liberty (DoL) cases, partially mitigated by £59k staff savings. More work is needed to identify recurrent savings in this directorate.	1,369
Community and Environmental Services	With Project 30 pressures being underwritten by Local Transport Plan funding, the remaining financial pressures are: Travel and 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 £104k mainly comprises £100k which is the remaining balance of the brought forward overspend by Visit Blackpool, for which a recovery plan is in place.	104
Resources	Property and Asset Management is forecasting a £148k pressure, particularly from Facilities income. Customer First is forecasting an overspend of £87k and Legal Services £56k. These have been mitigated by other savings within the directorate.	46
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)
2013/14 Service underspends	As per the Executive decision of 8 <sup>th</sup> September 2014 that underspending services (with the exception of Area Forum and Ward Budgets) totalling £462k be redirected to bolster working balances.	(462)
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 £960k 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 £1,678k favourable position due to the continuing temporary windfall on low interest rates payable.	(625)
<b>Total</b>		<b>2,376</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**

4.1 As at 31st July 2014 64% of the 2014/15 savings target has already been delivered. The full-year forecast predicts that 64% (62% last month) will be achieved by the year-end, which takes into account new in-year pressures and savings.

4.2 The full-year effect of the 2014/15 savings in 2015/16 amounts to 92% of the 2014/15 target. This excludes any in-year pressures/savings.

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

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

At the end of month 4 the collection rate for Council Tax was 36.4%. This compares to 36.9% at the same point in 2013/14.

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 4 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 25.0%. This compares to 25.3% at the same point in 2013/14.

There is a possibility that for 2014/15 the underlying rate of collection of Council Tax Reduction Scheme will be lower than 2013/14 due to accumulated arrears.

##### **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 1<sup>st</sup> 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 4 the collection rate for Business Rates was 33.5%. This compares to 36.6% 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 for this 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 4 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 4 months of the year the Council's net cashflow has resulted in a decrease in temporary borrowing due to the receipt of front-loaded Government Grants. 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 2014/15.

## **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 4-month period there has been an increase in Property, Plant and Equipment of £8m and a decrease in short-term borrowing of £17m, which in the main reflects the early receipt of capital grants.

## **9. Conclusion and Recommendations**

9.1 This is the second formal financial performance monitoring report of the 2014/15 financial year. Although an improvement upon last month's by £733k the Council is still predicting a significant deterioration in its financial standing in comparison with Budget. Working balances are estimated to fall by £2,376k 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 40%.

9.2 In response to the financial position the Director of Resources has arranged a series of meetings with Directors to discuss the robustness and integrity of current year budget forecasts; the plans in place to deliver an in-year breakeven position; specific directorate reserves and provisions and the mechanisms for the 2015/16 budget-setting process that will integrate with the programme of meetings and consultations that the Deputy Chief Executive is scheduling.

9.3 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, Adult Services, Parking Services and Community and Environmental Services; and

- iii) To recommend the Finance and Audit Committee to continue to independently review the financial and operational performances of the services listed in ii).

Steve Thompson  
Director of Resources  
9<sup>th</sup> September 2014