BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

9TH FEBRUARY 2015

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 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 9 months of 2014/15, i.e. the period to 31st December 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 3c/d - 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 2014/15. 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.

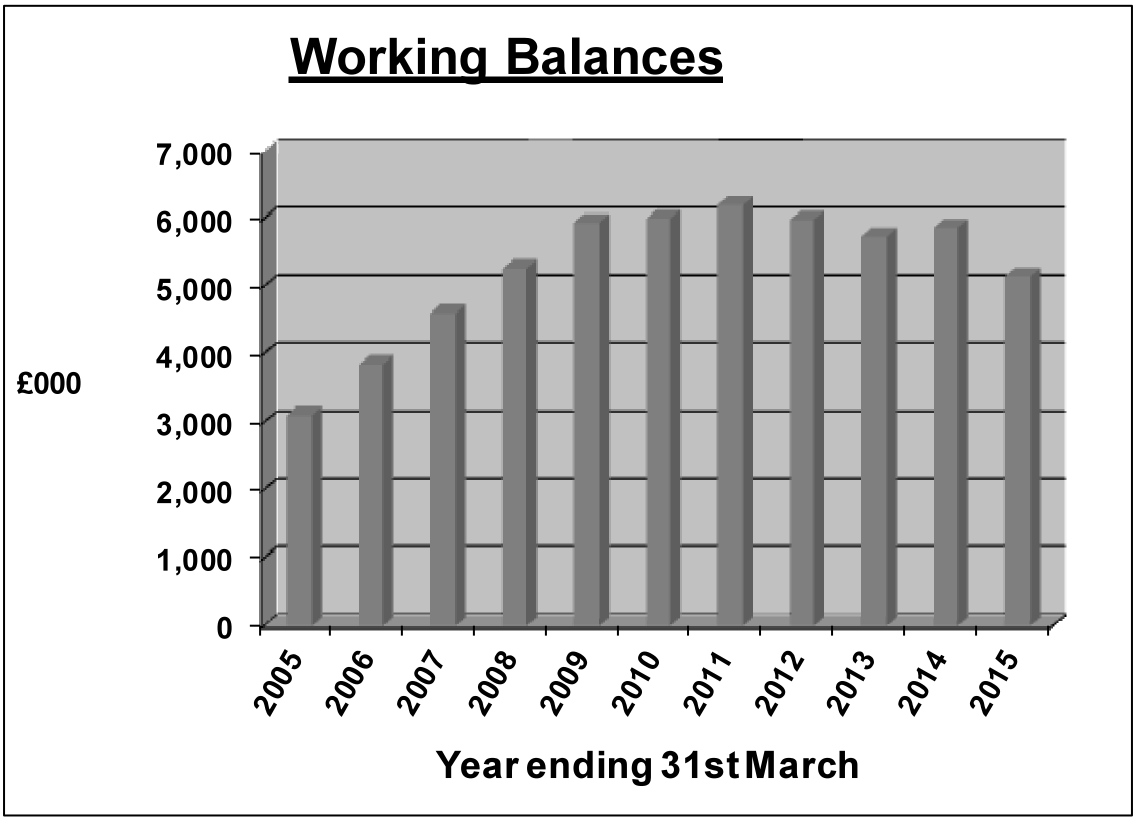
3. Directorates' Budget Performance

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 9 forecast overspend of £714k for 2014/15 are summarised below:-

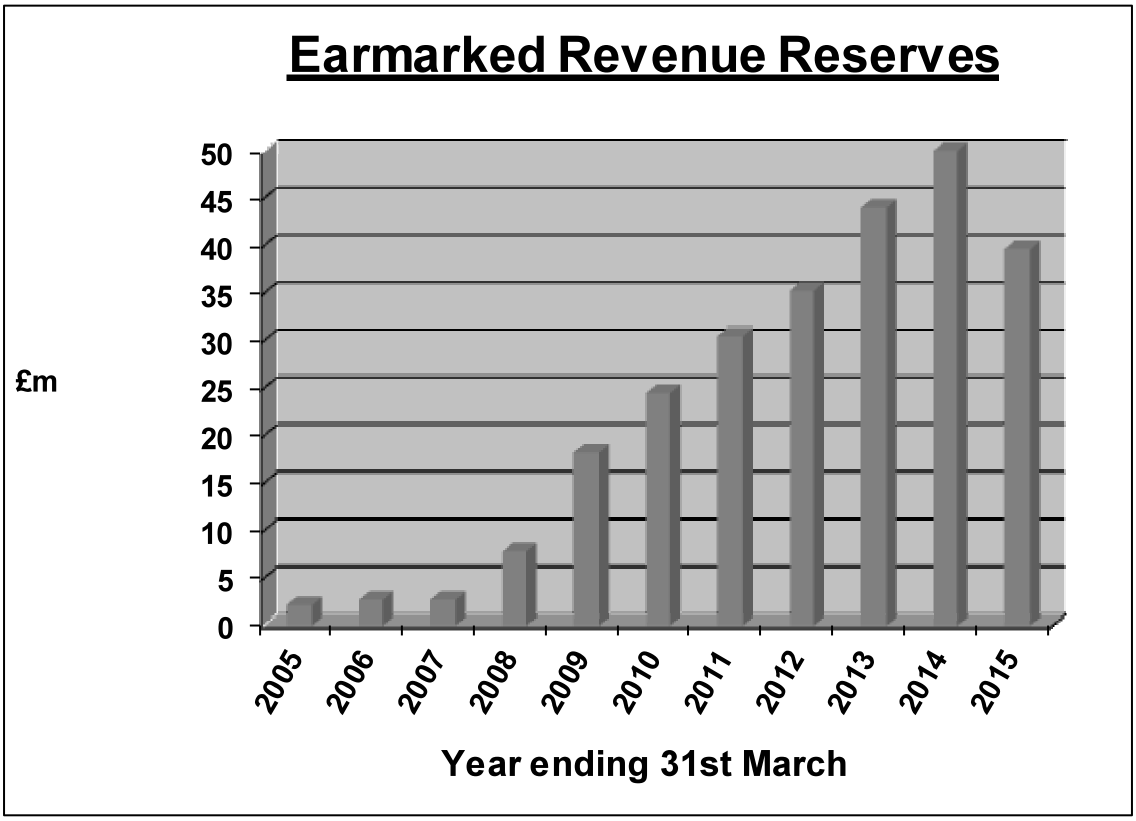
Directorate	**Service**	**Forecast Variance £000**
Children's Services	Within the £1,567k overspend, Children's Social Care is forecast to overspend by £1,308k, particularly because the reduction in the number of Looked After Children (LAC) is not meeting plan. LAC numbers peaked at around 500 in the early part of 2013, and the target is a reduction to 420 by the end of 2014/15. However referrals to social care are at the highest levels ever recorded and at the end of December 2014 LAC numbers are at 459. There is a further imbalance between the reduced Education Services Grant and the commitments against it showing a £726k pressure. Overspends in both Children's Safeguarding of £119k and Local Services Support Grant of £82k are offset by other savings within the directorate.	1,567
Community and Environmental Services	Project 30 pressures are being partly funded from the Local Transport Plan. Expected insurance savings have not materialised creating a pressure of £407k. The Travel and Road Safety pressure of £270k is awaiting management action and the Building Services pressure of £220k is being reviewed.	897
Adult Services	Adult Commissioning Placements are forecasting an overspend of £754k. Safeguarding is forecasting a £100k overspend following recent Deprivation of Liberty (DoL) cases, partially mitigated by staff savings. More work is needed to identify recurrent savings in this directorate.	364
Resources	Property and Asset Management is forecasting a £227k pressure, particularly from legal costs, utilities and facilities income. Customer First is forecasting an overspend of £55k, Legal Services £34k and Accountancy £22k. These have been mitigated by other savings within the directorate.	23
Governance and Regulatory Services	The Directorate is forecasting a pressure of £21k. Cemeteries and Crematorium are forecasting an overspend of £69k due to the delays in the completion of the remedial works at the Crematorium and Governance and Regulatory Services are forecasting a £43k underspend due to staff vacancies.	21
Places	The Directorate's pressure of £20k mainly comprises £40k which is the remaining balance of the brought forward overspend by Visit Blackpool, for which a recovery plan is in place. Additional income from Security has produced a £20k underspend, Print Services is forecasting an overspend of £8k and Library Services is forecasting an underspend of £8k.	20
Deputy Chief Executive	Human Resources, Communication and Engagement divisions are forecasting a £41k underspend following a review of the balance sheet.	(41)
Area Forum and Ward Budgets	The forecast underspend of £400k is based on current commitments.	(400)

2013/14 Service underspends	As per the Executive decision of 8th September 2014 that underspending services (with the exception of Area Forum and Ward Budgets) totalling £462k be redirected to bolster working balances.	(462)
Strategic Leisure Assets, Contingencies / Reserves	An underspend of £604k is forecast. This is due to the following: an adjustment to reserves to cover the net 2013/14 overspend; Strategic Leisure Assets forecasting an overspend of £333k due to vacant concession units and the funding of initiatives and the release of uncommitted Public Health/Contingencies funding which has offset the pressures.	(604)
Budgets Outside Cash Limit	Parking Services is £712k down on its income target. The Investment Portfolio will overspend by £63k as a consequence of the delay in demolishing the Syndicate building. Concessionary fares is forecasting a pressure of £274k due to an increase in bus patronage by 6%. Treasury Management has a £1,678k favourable position due to the continuing temporary windfall on low interest rates payable. The cost to the Council of supporting the subsidiary companies are forecasting an underspend of £47k.	(671)
Total		**714**

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 overleaf:



4. Directorate Budget Savings Performance

4.1 As at 31st December 2014 88% of the 2014/15 savings target has already been delivered. The full-year forecast predicts that 87% (85% last month) will be achieved by the year-end, which takes into account new in-year pressures and savings.

5. Collection Rates

5.1 Council Tax

At the end of month 9 the collection rate for Council Tax was 80.6%. This compares to 80.6% 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 9 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 55.8%. This compares to 57.1% 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 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 9 the collection rate for Business Rates was 76.5%. This compares to 82.5% at the same point in 2013/14.

From April 2014 Business Rate payers have been entitled to elect to pay by 12 monthly instalments instead of over 10 months. This has allowed businesses more time to pay which has had an impact on the percentage collection rate when compared to 2013/14.

The actual Business Rate deficit for 2013/14 was £5.28m. The Council's share of this is £2.59m (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 As at month 9 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 9 months of the year the Council’s net cashflow has resulted in an increase in the level of temporary borrowing to finance prudentially funded capital expenditure. 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 month 9. 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 9-month period there has been an increase in Property, Plant and Equipment of £26.7m and an increase in short-term borrowing of £19.0m, 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 Although an improvement upon month 8 position by £274k the Council is still predicting a significant deterioration in its financial standing in comparison with Budget. Working balances are estimated to fall by £714k 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 12.2%.

9.2 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; the plans in place to deliver an in-year breakeven position; specific directorate reserves and provisions and the 2015/16 budget-setting process that integrates with the consultation programme 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, Community and Environmental Services, Parking Services, Adult Services and Strategic Leisure Assets; 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
22nd January 2015