BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

15 JUNE 2020

PROVISIONAL OUTTURN 2019/20

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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 2020 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31 March 2020 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 within the Statement of Accounts for 2019/20, which is the subject of a separate report to the Audit Committee in November 2020 in order to comply with the statutory deadline required by the Accounts and Audit (England) (Coronavirus) (Amendment) Regulations 2020.

2. Provisional Revenue Outturn 2019/20

2.1 The Provisional Revenue Outturn for 2019/20 (before allowing for changes to working balances) is £134,339,000 compared with the approved budget of £128,574,000 – a net increase of £5,765,000. The summary figures are shown at Appendix 6b.

2.2 The year-end variance position is summarised as follows:-

Summary	**2019/20 Variance £000**
Directorates	15,606
Budgets Outside the Cash Limit	(375)
Leisure Assets – actual (Appendix 6h)	4,970
Leisure Assets – financed from Earmarked Reserves (Para 6.2)	(4,970)
Contributions and Contingencies, Levies and Capital Charges	(9,466)
Total	5,765

2.3 The main reasons for this net service overspend / (underspends) are:-

Service	**Reasons**	**£000**
Children's Services (Appendix 6k)	The Children's Social Care division has significantly overspent due to ongoing pressures relating to Looked After Children (LAC) numbers. When budgets were set, £3.570m was earmarked to cover the forecast overspend in Children's Social Care. Over the financial year there has been an increase in LAC numbers and an adverse change in the mix of LAC placements, resulting in an additional pressure of £8.077m. In addition to this, an amount of £4.478m was invested in response to the Directorate's Ofsted improvement plan. This figure includes the cost of a number of on-going interventions which were put in place immediately following the review, but also reflects the outcome of a detailed evaluation of the service model, which has taken place in the early part of 2019/20, and has resulted in the introduction of a new staffing structure for the longer term. The new structure represents a fundamental shift in the management of Children's Social Care in Blackpool – a shift from managing the problems, to addressing the source of them. It proposes additional capacity to enable Social Workers to spend more time with children and families to build better relationships, have more effective interventions, building on the strengths within each family, and thereby preventing escalation. Independent analysis suggests that the approach should result in a long-term reduction in the number of cases open to Children's Social Care at any one time and through the year. It will also reduce the number of children on child protection plans, or in the care of the Local Authority.	12,893

	In addition to this, there was a £739k overspend due to a historical, unmet target saving on the SEN transport Service. Part of this overspend has been offset by staffing savings and the release of one-off funding in other areas of the service.	
Communications and Regeneration (Appendix 6g)	£4,183k of the pressure in Communications and Regeneration has been in the Growth and Prosperity service. Due to the complex nature of these projects, delays have arisen which will now result in an in-year overspend. Whilst this is disappointing, it is not a result of a failure of projects or even an unexpected shortfall in income but rather a question of timing. All projects that were to contribute to the target are still proceeding well and should deliver beyond the target if taken over the 2 year period from 2019/20 to 2020/21. The 'Cash Limited Budgeting' policy allows for overspends to be carried forward if there is a plan in place to deliver. The accounting mechanism is that the pressure is to be funded from Earmarked Reserves in 2019/20 and recovered in 2020/21. Visit Blackpool had a pressure of £462k. £350k relates to increased event spend and sponsorship that has not been fully covered by increased income, and £112k is down to reduced shelter and commission income. Illuminations reported a £80k pressure. This was caused by increased costs due in the main to repairs to the water feature in St John's Square, legal costs and general staffing and materials. The above pressures were offset in part by savings in other areas:- Adult Learning: £148k one-off release of reserves Planning: £102k due to a mixture of staffing savings, general costs savings and additional income Print Services: £3k of small savings.	4,472

Governance and Partnership Services (Appendix 6d)	Governance and Partnership Services has seen pressure in both Corporate Legal Services and in the Life Events and Customer Care Service. These pressures have been offset in part by a saving in Democratic Governance (£51k, due mainly to vacant posts) and Information Governance (£7k). A £93k pressure within Life Events and Customer Care is due to a shortfall in income in relation to cremations and burials and additional Coroner costs relating to post mortems and inquests. This has been offset in part by a transfer of budget from Revenue Contributions to Capital Outlay (RCCO) to cover the borrowing costs on the cremators. The remaining pressure of £314k comes from Corporate Legal Services and is due to an increase in spend on Children's Counsel fees resulting from an increasing caseload and the need to increasingly use external legal firms.	349
Public Health (Appendix 6l)	The Public Health directorate managed a grant of £17,941,000, for the financial year to March 2020 which was spent in full.	(0)
Chief Executive (Appendix 6c)	£32k of this saving came from vacancies across the directorate, whilst £20k came from the release of reserves held and no longer needed. The remaining £53k came from underspends in supplies and services across the directorate, mainly in relation to development and consultant budgets.	(105)
Ward Budgets (Appendix 6e)	Scheme commitments of £206k are being carried forward into 2020/21.	(206)
Community and Environmental Services (Appendix 6i)	An under-spend was achieved within the Directorate in 2019/20 due to savings within Business Services, Highways and Traffic, and Street Cleansing and Waste Services. The main variances were a saving of £128k in Business Services, where income was received in relation to capital projects, but this was offset slightly by projects carried out within the Directorate which were funded centrally. Highways underspent by £215k mainly due to increased scheme income and vacancies within the service. Street Cleansing and Waste underspent by £163k mainly due to staffing vacancies and increased income generation. Other variances include an overspend of £148k in Leisure, mainly the result of a shortfall in Leisure income, but this has been offset by savings within the Parks area,	(436)

	amounting to £94k, relating to utilities savings and increased fees and charges.	
Adult Services (Appendix 6j)	Adult Commissioning Placements underspent by £239k as a result of complex cases expenditure being less than forecast. The Adult Social Care division underspent by £338k mainly due to staffing vacancies within the service. Care & Support overspent by £25k mainly due to a pressure within the Vitaline service and Adults Safeguarding overspent by £20k due to a pressure from Deprivation of Liberty (DoLs) assessments.	(534)
Resources (Appendix 6f)	The Resources directorate has achieved an under-spend of £827k during 2019/20. Property services underspent by £272k as a result of additional rental & service charge income & reduced maintenance spend towards the end of the year. ICT achieved an under-spend of £283k as a result of additional income and vacancies across the service. The remaining underspend of £272k is mainly due to staffing vacancies, supplies and services savings and increased income generation across the directorate.	(827)
Total		**15,606**

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 2k and shows an aggregate underspending of £375,000. The main reasons for this are:-

Service	**Reasons**	**£000**
Concessionary Fares	£201k of the pressure relates to an under provision based on external forecasts. Subsequent increased pricing by the operators and operating costs has led to a £148k pressure. Overall, concessionary fare numbers grew costing £140k. This meant that the 2019/2020 target saving of £340k wasn't achieved.	829
Parking Services	An income shortfall of £776k has arisen in Parking Services, mainly due to "on-street" parking schemes not being feasible, a loss of parking spaces, prudential borrowing costs and reduced income from staff parking.	776

Corporate Subscriptions, Land Charges, New Homes Bonus, Council Tax and NNDR Cost of Collection	Reduction in costs of subscriptions taken out (£10k) Additional New Homes Bonus grant received as part of final settlement (£8k) Increased fees on business rate valuations to be offset by increased business rates in future years £34k. Land Charges savings (£5k)	11
Subsidiary Companies	A saving in supplies and services spend coupled with reduced debt management charges.	(38)
Housing Benefit	Increase in overpayments recovered.	(51)
Treasury Management	Treasury Management has a favourable position due to cash flow management. Due to low borrowing rates the Council has used mainly temporary borrowing to finance Prudentially-funded capital expenditure.	(1,902)
Total		**(375)**

2.5 **Children's Services**

2.5.1 The demand pressures within Children's Services were once again the primary challenge facing the Council in its attempt to balance its Budget in-year.

2.5.2 This is not a local problem as catalogued within the monthly corporate leadership team reports throughout 2019/20. An analysis by the Local Government Association (LGA) reported that English local authorities had overspent by some £770m on children's social care during 2018/19 with a projection that this will double to £1.4bn for 2019/20.

2.5.3 The chair of the LGA Children and Young People Board was quoted that *"In order to keep children at most risk safe, councils up and down the country have been forced to find savings from non-statutory or discretionary budgets, which includes valuable early intervention and prevention support that can stop children and families reaching crisis point. This is not sustainable."*

2.5.4 We fully support the LGA's take on the current position. Indeed, whilst spending on children's social care nationally represents 18% of total local authority spend (excluding Education and Police), in Blackpool this proportion is much greater at 27%, implying by deduction that other services are receiving proportionately less funding as a result.

2.5.5 The **£12.9m** overspend on Children's Social Care represents a variance of +41% on its gross budget of £31.2m. In order to deliver address this issue on a more sustainable footing, the 2020/21 Revenue Budget includes unprecedented investment in the service with £4.3m to address the additional staffing requirement, some 30% more children's social worker staffing than 12 months ago, and £10.1m to address the demographic demand pressures of children in need and the increasing intensity of care required – a total recurrent investment of **£14.4m**. The upshot of this is that in 2020/21 Children's Social Care will represent 33% of the Council's revenue spend compared with 17% a decade earlier.

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 2019/20 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £206,000, in respect of the scheme commitments, on Ward Budgets is carried forward to 2019/20 in full;

- the 'Cash Limited Budgeting' policy allows for overspends to be carried forward if there is a plan in place to deliver. As such the Growth and Prosperity overspend of £4,183k is to be funded from Earmarked Reserves in 2019/20 and recovered in 2020/21.

- the following under and overspendings are to be written off:

Directorate	**£000**
Chief Executive	(105)
Governance and Partnership Services	349
Resources	(827)
Communications and Regeneration	289
Community & Environmental Services	(436)
Adult Services	(534)
Children's Services	12,893
Total	**11,629**

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 what will be the 10th consecutive year of material budget cuts.

4. Provisional Capital Outturn 2019/20

4.1. This section sets out the level of expenditure incurred by the Council on its 2019/20 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2019/20 should be financed.

4.2. The total capital expenditure for the year was £95,737,016. This is summarised on the following page with an analysis of spend by individual scheme available at Appendix 3:-

Directorate	**£**
Communications and Regeneration	69,168,983
Community and Environmental Services	10,048,242
Children's Services	4,610,567
Chief Executive	3,807,166
Resources	3,616,641
Adult Services	2,687,100
Governance and Partnership Services	1,798,317
Total	**95,737,016**

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 (HRA) and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2019/20 of £95,737,016 is split between non-HRA of £91,163,484 and Housing Revenue Account of £4,573,532.

4.4 The original Capital Programme for 2019/20 was set at £45.8m whilst the amount actually spent in-year was significantly more. This was due to new approvals given for schemes during the year. One of the additional schemes was the approval to purchase the Houndshill Shopping Centre for £50.6m including fees and legal costs.

4.5 It is recommended that this expenditure is funded from the following sources:-

Source	**£**
Prudential Borrowing	64,408,261
Government and Other Grants	22,780,280
Other Sources:	
- Revenue	7,414,610
- Tramshed Rental Income	210,807
- United Utilities Contribution	444,651
- Hollinwood Homes	224,061
- East Lancashire NHS – i Switch	134,183
-Other	120,163
Total	**95,737,016**

The Council has maximised all capital resources available to it during 2019/20 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2020/21.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the amount collected for Council Tax (excluding Police and Fire precepts) was £52.0m and the collection rate was 91.5%. This compares to £50.4m and 92.0% at the same point in 2018/19. The amount collected has actually risen by £1.6m which is mainly due to increases in the Council Tax rate and base.

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 31st January 2019 as part of the setting of the Council Tax Base for 2019/20.

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 2019/20 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 31st March 2020 the level of arrears has increased to £18.8m (compared to £17.5m in 2018/19) and the provision for bad debts has increased to £7.8m (compared to £7.2m in 2018/19). These reflect the current economic climate and the risks associated with the Council Tax Reduction Scheme. If the actual collection rate is higher than 97.5% then the excess will be available to reduce the Council Tax in future years. If it is lower than 97.5% 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 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1 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. From 1 April 2017 the scheme was amended so that certain vulnerable groups would have the 27.11% reduced to 13.56%. The scheme was also amended from 1 April 2018 to provide additional support for low income groups of claimants (in receipt of Income Support, Income-Based Jobseekers Allowance or Income Related Employment Support Allowance) by amending the percentage reduction applied to their award from 27.11% to 13.56%.

From 1 April 2019 the scheme was further amended. At its meeting on 10th December 2018 the Executive approved the provision of additional support by amending the percentage from 27.11% to 13.56% for further low income groups of claimants or partners (in receipt of Jobseeker's Allowance Contribution Based, Main Phase Employment and Support Allowance and are in the Work Related Activity Group, Maximum Universal Credit and neither employed, self-employed or in receipt of any other income which is taken into account when calculating their Universal Credit award such as an Occupational Pension or other unearned income and Universal Credit which includes either the limited capability for work and/or work-related activity). Other claimants will continue to have a 27.11% reduction applied to their award and all applicants who were protected and paid 13.56% under the previous scheme will continue to pay 13.56% when they move to Universal Credit. These have the effect of reducing the amount to be collected.

At the end of month 12 the amount collected (excluding Police and Fire precepts) in respect of the Council Tax Reduction Scheme and Council Tax for those who have to pay CTRS, either for the first time or in addition to a proportion of their Council Tax, was £2.64m and the collection rate was 68%. This compares to £2.38m and 69.8% at the same point in 2018/19.

The underlying rate of collection of Council Tax Reduction Scheme was under greater pressure than 2018/19 due to accumulated arrears and limits on the amount that could be recovered from Attachment of Benefits.

5.3 National Non-Domestic Rate (NNDR)

Prior to 1 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 to 31st March 2019 the income relating to Blackpool was shared between central government (50%), the Council (49%) and the Fire Authority (1%). Consequential adjustments were made to the Formula Grant equivalent.

On 13th December 2018 the Ministry of Housing, Communities and Local Government (MHCLG) approved the establishment of a Lancashire-wide 75% Business Rate Pilot Pool (including Blackpool) in 2019/20 to share risk and reward. As part of this, the 50% rate retention scheme increased to 75% and authorities in the pool will forego Revenue Support Grant. The value of the Revenue Support Grant was taken into account when revised business rate tariffs and top-ups for the pilot authorities were set. The Government also increased the Safety Net from 92.5% to 95% for the new pilot pools. Consequently, from 1st April 2019 to 31st March 2020 the income relating to Blackpool is shared between central government (25%), the Council (73.5%) and the Fire Authority (1.5%).

At the end of month 12 the amount collected for Business Rates was £46m and the collection rate was 95.6%. This compares to £47.7m and 96.2% at the same point in 2018/19. Changes resulting from the introduction of new reliefs from 1 April 2019 are offset by S31 grants.

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. However, 820 business rate summonses were issued in the 12 months to the end of March 2020.

As at 31 March 2020 the level of business rate arrears has increased to £7.3m (compared to £6.1m in 2018/19). Due to the situation regarding Covid 19 the government has extended the deadline for the completion of the NNDR 3 return until 31st July 2020. Figures for the level of appeals provision, bad debt provision and shares of the surplus or deficit will not be available until the NNDR 3 return is completed.

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 £41.7m to £46.8m during 2019/20 with those reserves summarised and shown in the table below:-

Earmarked Reserves	**2019/20**	**2018/19**
	£000	**£000**
Collection Fund Deficit Reserve (Council Tax and NNDR)	6,851	12,574
Public/Private Partnerships	(965)	4,833
Treasury Management – Prudential borrowing	465	465
Transformation Reserve	978	518
Museum Reserve	1,620	294
Insurances	7,043	1,100
Potential Pay Liabilities	4,532	2,919
Covid 19 grant	5,705	0
Other Reserves	20,543	18,959
Total Earmarked Reserves	**46,772**	**41,662**

6.2 The Strategic Leisure Assets cumulative overspend of £8,571,000 brought forward from 2018/19 is included within earmarked reserves along with the 2019/20 in-year overspend of £4,970,000. When the service begins to break-even it will then start to repay the over-spend. This is in line with the Medium Term Financial Plan.

6.3. The year-end balances of the Housing Revenue Account (HRA) are estimated to be £4,730,000 which is £506,000 more than originally forecast for 2019/20.

6.4. Maintained schools' balances (which lie outside the control of the Council) increased by £29,000 in 2019/20 to £2,382,000. £3,098,000 is also held in an earmarked reserve in relation to overspent Dedicated Schools Grant.

7. General Fund Working Balances

7.1 The Council's Revenue Budget for 2019/20 set a target level of General Fund working balances of around £6m. The level of working balances as at 31st March 2020 is lower at £2,292,000. As reported in section 2.5 it has been a difficult year with Children's Services materially impacting upon the bottom line.

8. COVID 19

8.1 On the 20 March 2020 Local Government Funding of £1.6bn was announced to offset some of the financial pressures associated with COVID 19.

The funding is intended to help local authorities address the pressures they are facing in response to the COVID-19 pandemic, across all the services delivered such as:-

- meet the increased demand for adult social care and enable councils to provide additional support to social care providers
- meet the cost of extra demand and higher business-as-usual costs of providing children's social care
- support those at higher risk of severe illness from COVID-19
- and meet pressures across other services.

Blackpool's share of this first allocation was £6.1m.

(A further announcement of £1.6bn of funding for Local Government was made on the 18 April 2020 and Blackpool's share of this was £3.8m).

8.2 MHCLG has established a monthly DELTA reporting system for the recording of COVID-19 related financial pressures.

Blackpool Council's first DELTA return regarding COVID 19 financial management information was submitted on 15 April 2020.

Some of the COVID-19 financial pressures totalling £380k have fallen into 2019/20 and have been funded as part of the 2019/20 provisional outturn. These pressures will also roll into the 2020/21 financial year.

9. Statutory Audit Deadlines for 2019/20 - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

9.1 The publication date for final, audited, accounts will move from 31 July to 30 November 2020 for all local authority bodies.

9.2 To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

9.3 This means that draft accounts must be signed by the Section 151 Officer and published by 31 August 2020 at the latest.

9.4 Authorities must publish the dates of their public inspection period.

9.5 Given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

10. Conclusions and Recommendations

10.1 The Provisional Outturn for 2019/20 shows the financial performance culminating with the Council's General Fund working balances standing at £2,292,000. As has been reported it has been a difficult year with Children's Services materially impacting upon the bottom line.

10.2 As the Council continues to manage the financial constraints placed upon it, the measures proposed within this report will reinstate some cushion for managing the risks that lie ahead in the next financial year.

10.3 The Executive is asked to:

- approve the provisional revenue outturn for 2019/20 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 2019/20 and methods of scheme funding as outlined (ref. paragraphs 4.2 and 4.5);

- note the Prudential Indicator (ref. paragraph 4.3);

- note the levels of the earmarked reserves including those for the Housing Revenue Account and maintained schools (ref. paragraphs 6.1, 6.3 and 6.4).

- note the revised dates for the draft, final audited accounts and the public inspection of accounts (ref. paragraph 9.1, 9.2 and 9.3).

Steve Thompson
Director of Resources